An Insight into Sustainability Reporting / Triple Bottom Line Reporting

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Chapter1: An Introduction to Sustainability Reporting

1. Introduction

Concerns about climate change have made sustainability a mainstream issue. Never before have the capital markets been so interested in how companies are approaching the challenges and opportunities associated with the environment, societal change and governance. Sustainability Reporting has become mainstream, driven by the potential business value generated through enhanced stakeholder reporting and communication.

The recognition governments and many organizations have given to sustainability and sustainable developments are changing business culture and society. The global challenge is to ensure that organizations' sustainable development practices -
(a) reverse the previous erosion of natural resources, and
(b) improve their environmental, social, and economic performance.

This requires radical changes in the way we do business and the way we live our lives. Although many organizations aspire to being responsible, few could claim to be truly sustainable.
International Federation of Accountants (IFAC)

Sustainability is about living and working in ways that meet and integrate existing environmental, economic and social needs without compromising the well-being of future generations. The transition to sustainable development benefits today's society and builds a more secure future for our children.

Sustainability reporting is a form of value reporting where an organization publicly communicates their economic, environmental, and social performance. Faced with increased pressure from internal and external stakeholders, more organizations are measuring and reporting on their social and environmental performance as well as the usual financial reporting measures. A sustainability report differs from an environmental report or an environmental, health and safety (EHS) report. It presents a holistic picture of company activities and provides a balanced view of benefits and trade-offs among social, economic and environmental impacts.

Stakeholders have been pressing companies to publicly report this information either in annual financial reports to shareholders or in voluntary corporate performance reports. The worldwide growth of socially responsible investment funds, investment rating systems such as the Dow Jones Sustainability Index and investment policy disclosure requirements also have put financial pressures on companies to make these nonfinancial disclosures. In business praxis there is no difference between Corporate Sustainability Responsibility, Corporate Responsibility and Sustainability Management.

Sustainability reporting is an important extension of an organization's investment in developing a systematic approach to managing the integration of sustainability performance, and the management information needed for that integration. The impact of a well-meaning and executed strategy for sustainability issues can be diminished if the strategy is not appropriately disclosed. Sustainability reporting is an opportunity to be accountable to stakeholders and to engender trust, which is likely to enhance reputation, increase valuation, and reduce uncertainty. A systematic reporting regime may also be a key driver in demonstrating transparency and accountability for sustainability activities and performance within an organization. Setting out on a path toward sustainability reporting can act as a motivational driver for all levels of management and operational employees to deal more seriously with sustainability issues. A reporting regime often helps to instill routines for considering sustainability-related information in decision-making.

Demand for disclosure grows from investors, regulators, and the public. Although more organizations have improved their sustainability reporting, there is much survey evidence to indicate that there is room for improvement. To help improve sustainability reporting, many organizations have turned to the Global Reporting Initiative (GRI) as the quasi-standard setter for sustainability reporting. Using a reporting framework such as the GRI is an important step in improving disclosure, and should be part of the key considerations that support better reporting.

2. What is Sustainable development

Sustainable development is a pattern of resource use that aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for future generations. The 1992 Earth Summit in Rio de Janeiro popularized the phrase sustainable development even as the definition of the term remained vague. The term was used by the Brundtland Commission which coined what has become the most often-quoted definition of sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs

The many definitions and frameworks of sustainable development that now exist share a number of basic principles including:

- Concern for the well-being of future generations;
- Awareness of the multi-dimensional impacts of any decision (broadly categorized as economic, environmental, social); and,
- The need for balance among the different dimensions across sectors (e.g. mining, manufacturing, transportation), themes (climate change, community cohesion, natural resource management) and scale (local, regional, national, international).

The elusive goal of sustainable development, or sustainability as it is also called, is to make decisions and carry out programs and projects in a manner that maximizes benefits to the natural environment and humans and their cultures and communities, while maintaining or enhancing financial viability.

3. Definition of Sustainability Reporting

There is no single, universally accepted definition of Sustainability Reporting. Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development.

'Sustainability reporting' is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g., triple bottom line, corporate responsibility reporting, etc.).

A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization – including both positive and negative contributions.

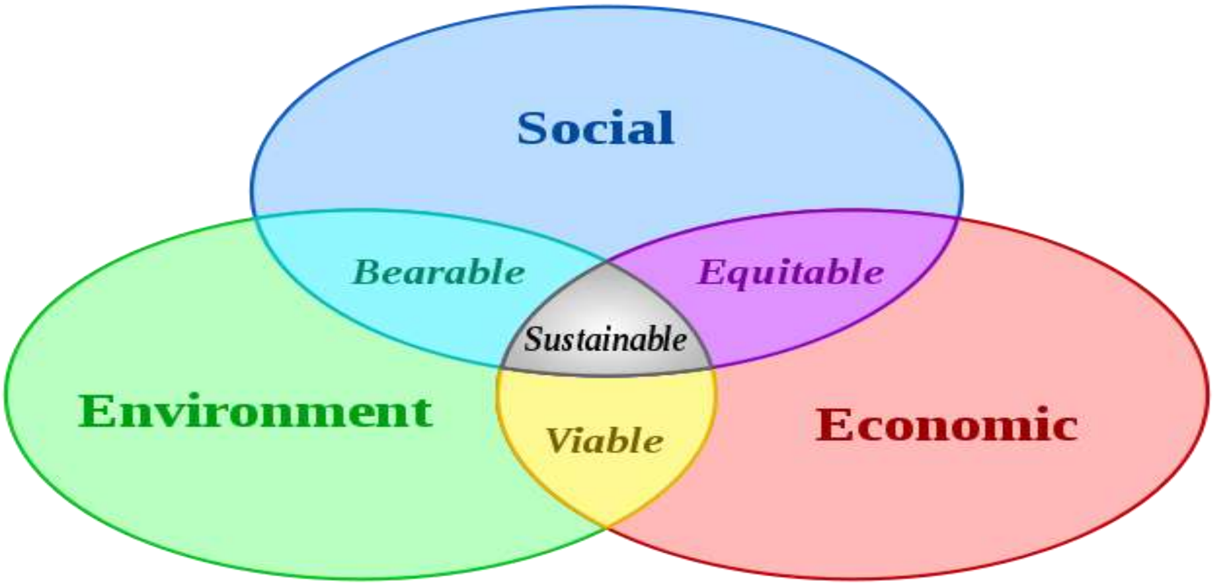
At the moment there is an abundance of terms related to Corporate Sustainability Responsibility (CSR), sustainable business management and corporate citizenship along with various interpretations of individual definitions due to different historical origins. These terms are often incorrectly used as synonyms or are used with very different meanings.

Loew et al (2004) have developed a system of terms and definitions which integrates the official definitions from the EU and the Rio-Summit, according to which CSR is a central component of sustainable business management. Both, CSR and sustainable business management contribute to sustainable development.

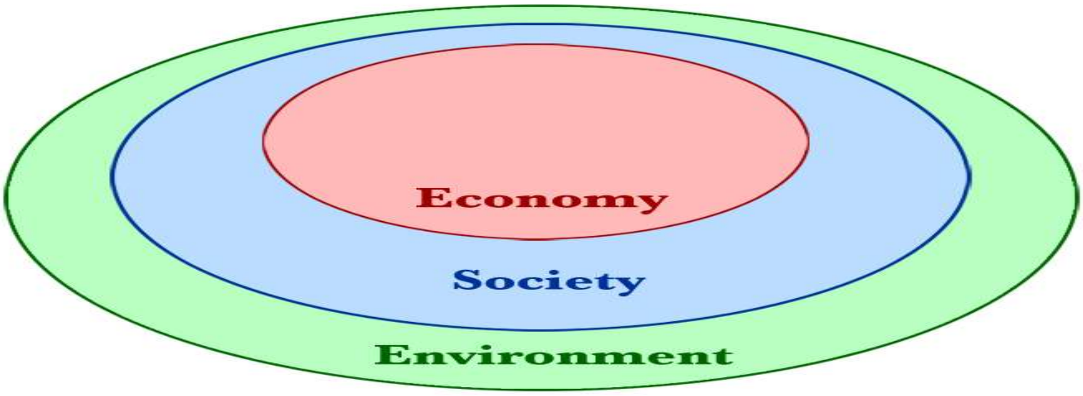
Corporate citizenship (CC) encompasses donations, company contributions and corporate volunteering and should be seen as only a part of CSR. It should be noted that corporate citizenship and CSR are often given equal status in the US debate, which is not correct from the European point of view (Loew et al. 2004).

4. The Dimensions of Sustainability Reporting: Three Pillars of Sustainability

The reconciliation of environmental, social and economic demands - the "three pillars" of sustainability. This view has been expressed as an illustration using three overlapping ellipses indicating that the three pillars of sustainability are not mutually exclusive and can be mutually reinforcing.



However, according to English environmentalist and author Jonathon Porritt, "The economy is, in the first instance, a subsystem of human society ... which is itself, in the second instance, a subsystem of the totality of life on Earth (the biosphere). And no subsystem can expand beyond the capacity of the total system of which it is a part." For this reason a second diagram shows economy as a component of society, both bounded by, and dependent upon, the environment.



5. Scope of sustainable development?

The term Sustainable Development (SD) was used for the first time, at the United Nations Conference on the Human Environment in Stockholm in 1972. However, a working definition of SD was coined in 1987 with the publication of 'Our Common Future', popularly known as the Brundtland Report of the World Commission on Environment and Development. The Commission's definition, since widely adopted, was: "Development as the means to satisfy the needs of present generations without compromising the resources of future generations". Sustainability, the Commission argued, includes not only economic and social development, but also a commitment to the needs of the poor and recognizing the physical limitations of the earth.

The field of sustainable development can be conceptually broken into three constituent parts: environmental sustainability, economic sustainability and sociopolitical sustainability.

The United Nations Division for Sustainable Development lists the following areas as coming within the scope of sustainable development:

- Agriculture
- Atmosphere
- Biodiversity
- Biotechnology
- Capacity-building
- Climate Change
- Consumption and Production Patterns
- Demographics
- Desertification and Drought
- Disaster Reduction and Management
- Education and Awareness
- Ecology
- Ecosystem
- Energy
- Systems ecology
- Finance
- Forests
- Fresh Water
- Health
- Human Settlements
- Indicators
- Industry

- Information for Decision Making and Participation
- Integrated Decision Making
- International Law
- International Cooperation for Enabling Environment
- Institutional Arrangements
- Land management
- Major Groups
- Mountains
- National Sustainable Development Strategies
- Natural resource management
- Oceans and Seas
- Poverty
- Sanitation
- Science
- SIDS –Small Island Developing States
- Social equity
- Sustainable architecture
- Sustainable tourism
- Technology
- Toxic Chemicals
- Trade and Environment
- Transport
- Waste (Hazardous)
- Waste (Radioactive)
- Waste (Solid)
- Water

Sustainable development is an eclectic concept, as a wide array of views fall under its umbrella

6. Key Considerations for Sustainability Reporting

The following are the key considerations while drafting the sustainability report of a company:

6.1. Determine the audience for sustainability reports and their purpose for reading them:

This will help to determine the issues to be covered in a report. Potential users range from customers, suppliers, employees, communities, and shareholders, as well as analysts who might specialize in assessing social and environmental initiatives of companies in their portfolio of ethical funds. A key filter in assessing what to include in a sustainability report is asking the question: Are the reporting needs of our stakeholders being met? Therefore, a high quality sustainability reporting process and outcome is dependent on stakeholder engagement (see Stakeholder Engagement). Specific one-off reports or "dilemma reports" can also be used to explore or respond to a recent event or topical issue to demonstrate responsiveness and allow stakeholders to challenge an organization's approach. For example, the UK National Grid recently published a new strategy document that highlighted the need for change from business-as-usual if government's climate change targets are to be met.

6.2. Determine most suitable reporting frameworks and guidelines: Caption 38 describes the GRI's sustainability reporting guidelines ("the GRI Guidelines"), and caption 39 (see below) His Royal Highness The Prince of Wales' Accounting for Sustainability Project, Connected Reporting Framework (designed to help to make better use of existing financial and non-financial information). Using such approaches helps to ensure that reporting rises above the requirements of regulated agencies, and that reports are comprehensive yet understandable and useful. The presentation of too much data, particularly data unconnected to an organization's strategy and targets, will make it difficult for users to get a clear picture of sustainability performance. Such frameworks also help to guide organizations to meet (and balance) the key principles supporting reporting quality, such as balance, comparability, accuracy, timeliness, clarity, and reliability. There are also many normative standards and codes developed by governments and other agencies that can guide strategies, management systems and reporting.

6.3. Recognize that the quality of internal reporting and management information form the basis of external disclosures: An important question is how different, if at all, should management information be from the information disclosed in external sustainability reports? The Connected Reporting Framework emphasizes that the information to be included should be information that the organization already uses to run the business. Stakeholders, and particularly investors, generally require a clear demonstration that

(a) Sustainability impacts are well managed, and

(b) Sustainability initiatives are aligned to strategy and support future performance. Reporting credibility draws from work done within the Internal Management perspective, where sustainability metrics and KPIs will have been defined. Where internal measures show bad news, a sustainability report can describe actions taken to improve sustainability performance. This can further help to build trust and credibility with stakeholders.

6.4. Consider a framework for defining a report boundary: As discussed in the strategic and internal management parts of the Framework, it is important to work closely with suppliers to improve sustainability performance throughout the supply chain, including those partners that maybe considered joint ventures and associates. Reporting beyond organizational boundaries is also an important consideration for sustainability reporting. For example, negative information from an associate company or injury to contractors working on their site can influence an organization's reputation. The GRI Boundary Protocol provides a framework for defining the boundary for sustainability reporting according to the intersection of two concepts - "impact" and "control/influence". There is also an important link to risk management as a report boundary helps an organization to understand and communicate which strategic risks and opportunities need to be managed, and the extent of its control or influence over them.

6.5. Accompany sustainability reports with a communications strategy for enhancing the key messages about an organization's sustainability activities: For example, the internet, personal meetings with key stakeholders, and press conferences can be effective communication channels. Meetings with stakeholders can contribute to their ongoing involvement in sustainability programs and initiatives. Where a sustainability report is separate from the main body of the annual report, an organization should consider the merits of referring to headline messages and data related to sustainability performance found in the body of the annual report.

6.6. Use benchmarking to improve the quality of sustainability reporting: A number of national accountancy (and other) professional bodies such as the ACCA organize annual sustainability award programs that raise awareness of good practice examples, and the reasons for their success. The European Sustainability Reporting Association was established in 2008 with the aim of sharing trends and best practice across European countries. Learning from organizations with widely recognized effective sustainability reporting can help organizations of all sizes.

6.7 Caption 38: GRI G3 Sustainability Reporting Framework

The GRI Guidelines are the first and most widely used framework for providing guidance for disclosure about sustainability performance. More than three-quarters of the Global Fortune 250 companies follow the Guidelines. The GRI framework is firmly rooted in a multi-stakeholder process that is required to effectively use the GRI Guidelines. Organizations can therefore use the GRI Guidelines to develop systematic disclosure of non-financial information in a form that meets stakeholder expectations. The GRI Guidelines offer

(a) Core content for reporting that is relevant to all organizations, and

(b) Indicator protocols that advice on definition, scope, and compilation methods to help organizations to ensure a meaningful and comparable reporting on indicators. Sector supplements capture the unique sustainability issues in various industries, such as telecommunications, tourism, banking, mining, and automotive.

Organizations using the GRI Guidelines usually indicate when they are using GRI indicators. For example, the **UPS 2006 Corporate Sustainability Report** states:

We used the Global Reporting Initiative (GRI) as the foundation for compiling our Corporate Sustainability Report. The GRI helped identify key performance indicators (KPIs) particularly relevant to our business. In addition to GRI-recommended measurements, we developed key performance indicators that are new to our industry. They represent a significant step forward to fully and accurately measure the impact of transportation companies like us on society and the environment. The new measurements include ground network fuel efficiency and aircraft emissions per payload capacity. All measurements in the report uniquely reflect our culture, business model, quality of management and impact on natural resources.

6.8 Caption 39: The Prince of Wales Accounting for Sustainability Project, The Connected Reporting Framework

External reporting is an important component in the effectiveness of the capital markets and in giving employees and other stakeholder's confidence in an organisation. As society's awareness of the importance of sustainability issues has increased, in particular the impact of climate change, so has this agenda moved onto and up public bodies' and companies' agendas. The result has been increasing discussion of how best to report sustainability performance; or to put it another way, of how to give a more balanced and complete picture of overall performance.

In developing the Connected Reporting Framework, Accounting for Sustainability was not trying to create a new accounting model, rather it was more about making better use of existing financial and non-financial information. It is hoped that the information that is included is that which the organisation already uses to run the business, and that this is not seen as more reporting, but better reporting.

The new Connected Reporting Framework has the following five key elements (taken from the Sustainability at Work website]:

1. An explanation of how sustainability is connected to the overall operational strategy of an organisation and the provision of sustainability targets. The challenge is to ensure that in mainstream reporting the sustainability information included is strategically important. Targets are important to ensure and demonstrate that sustainability issues are taken into account when making investment decisions.
2. Five key environmental indicators, which all organisations should consider reporting, they are: greenhouse gas emissions, energy usage, water use, waste and significant use of other finite resources.
3. Other key sustainability information should be given where the business or operation has material impacts. The Framework is not prescriptive in this respect to avoid the provision of irrelevant information and a "one-size-fits-all" approach.
4. To aid performance appraisal, industry benchmarks for the key performance indicators when available.

5. The up-stream and down-stream impact of the organization’s products and services: the sustainability impacts of its suppliers and the use of its products or services by customers and consumers

Chapter 2: Role of Accountants in Sustainability Reporting

1. Introduction

The history of the accountancy profession is a story of responding to new market opportunities, including new demands resulting from changes in the level and nature of business activity from the Industrial Revolution onwards and new legal requirements. The concepts of an accountancy profession and of professionally qualified accountants, report, reflect an acknowledgement of society's expectations as to how accountants should respond to emerging demands. These expectations revolve around competence and the application of judgement in an ethical context.

One of the key features of corporate structures, the divorce between ownership and control, created new demands for accountability and called for the expert services of accountants. Whereas the earliest members of the professional bodies in the late nineteenth century were largely concerned with insolvency and bookkeeping, together with associated activities such as insurance and debt collection, there was a steady movement into new fields, particularly audit, taxation and trusts, in response to wider changes in society.

This was followed by increased diversification into non-accounting areas and the addition of consultancy services. By the middle of the last century, professionally qualified accountants were engaged in work on costing and information systems, internal control and fraud prevention, asset and business valuation, prospectuses and takeovers and reconstructions. This rapid expansion has been attributed to the profession's ability to bring together the necessary qualities: knowledge of relevant law, numeracy, objectivity and integrity.

The accountancy profession has traditionally responded to market changes and shifts in public expectations. Sustainability offers such opportunities and it is hardly surprising that some accountancy practices have become involved in recent years in providing advice and assurance services relating to sustainability performance and reporting. People who are active in sustainability issues are drawn from a wide range of disciplines such as marketing, communications, environmental management, public affairs and investor relations. Because such matters have a direct impact on the public interest, the professions generally are playing a part, as current initiatives indicate. However, accountants are familiar with sustainability as a concept via a long history of dealing with capital maintenance. In wrestling with the concepts of income and capital, accountants have long been thinking in terms relevant to sustainability.

2. Mechanisms to Enhance Sustainability

There are several mechanisms by which individuals, societies and governments can seek to influence the outcomes that would otherwise be delivered by markets to enhance the three aspects of sustainability, namely environmental, social and economic performance. In many cases, these involve encouraging or forcing organisations to take a longer term view or to internalise external costs and benefits, or limiting choices so that organisations act as if external costs and benefits had been internalised. The accountancy profession as having a variety of roles to play in helping to choose appropriate mechanisms and make them work efficiently so that the wishes of individuals, societies and governments are realised. At the heart of the profession's contribution is a recognition of the importance of useful information. Changes in expectations and attitudes towards sustainability are prompting governments, investors and enterprises to use a combination of such mechanisms. Eight different mechanisms are identified, each of which entails supporting information flows. They are summarised in the figure 1 below

1. *Corporate policies* whereby the perceived expectations of society convince organisations of the merits of adopting policies on sustainability and publishing information about the policies and their impact.
2. *Supply chain pressure* by which the expectations of society drive purchasers to promote a desired standard of sustainable performance and reporting amongst suppliers and others in the supply chain.
3. *Stakeholder engagement* enabling those with a particular interest to influence the decisions and behaviour of an organisation, to engage an organisation in ongoing dialogue and a process of feedback to and from stakeholders, supported by information flows about sustainable performance.
4. *Voluntary codes* through which society encourages organisations to improve particular aspects of their sustainability performance, often requiring a statement for stakeholders regarding compliance or an explanation of non-compliance. In India MCA has recently notified a Corporate Social Responsibility Voluntary Guidelines 2009.
5. *Rating and benchmarking* by which investors and others, or agencies working on their behalf, grade organisations through the use of benchmarks or ratings on the

basis of information on sustainability policies and performance and thus influence the behaviour of organisations and stakeholders.

6. *Taxes and subsidies* to incentivise organisations to operate in ways that contribute to sustainability, requiring information in the form of tax returns and grant claims.
7. *Tradable permits* whereby governments ration allocations of scarce resources or undesirable impacts so as to improve sustainability, requiring information about quota utilisation and prices to support the operation of fair markets.

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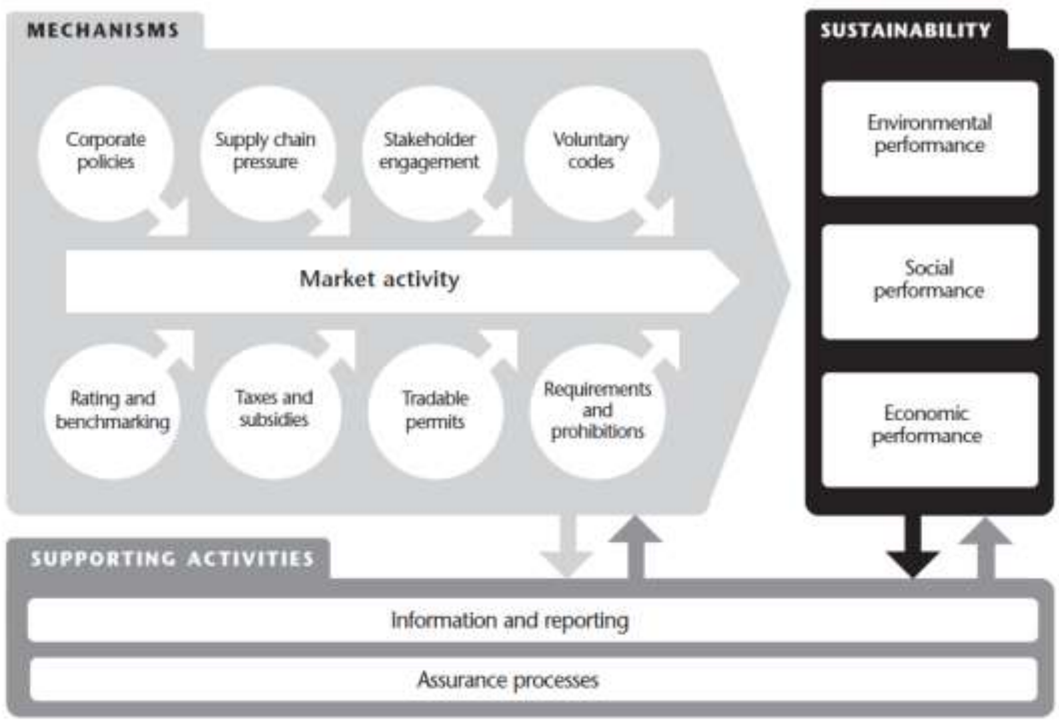
Figure 1: A market-based approach to sustainability



3. Opportunities for Chartered Accountants

Sustainability presents a new market focus for the profession. With the increasing importance attached to environmental protection and social responsibility, many of the issues raised by the quest for sustainable development are business risk issues, an area commonly of concern to accountants. Devices such as tradable permits and other mechanisms require accounting expertise. Accountants in businesses with significant environmental or social impacts will be involved with the measurement, recording and interpretation of sustainability issues. Future management information systems and controls will need to include environmental and social data emphasising the benefit of a joined-up approach. Accountants are well placed to provide the necessary coordination and integration. They can assist their clients in the areas of corporate governance and business ethics, environmental health and safety management, social responsibility, strategy and economics, responsible supply-chain management, and reporting and assurance of non-financial information. Some of the areas where the chartered accountants can provide there valuable services in relation to sustainable reporting are identified below:

- Assurance and reporting of non-financial information
- Advisory Services regarding Corporate governance process improvement
- Providing Guidance on Corporate social responsibility programme implementation
- Developing employment strategy
- Conducting environmental due diligence
- Reporting on environmental health and safety compliance
- Human capital measurement and reporting
- Advisory Services in relation to policy and code of conduct development
- Responsible supply chain management
- Social, ethical, and environmental risk assessments
- Stakeholder engagement
- Sustainability/CSR reporting
- Training and capacity building

4. Role Played by Chartered Accountants

4.1 Designing and Deployment of CSR strategy

Developing a well thought-out, credible and effective Corporate Social Responsibility (CSR) strategy can be a daunting and time-consuming task. Organisations need to understand and prioritise both the strategic and reputational risks that arise as a consequence of their business practices and operations. Too often, companies turn to a CSR strategy in response to an adverse event. In this "reactive" mode, companies often make hasty decisions, which lead to an ineffective allocation of resources.

- How do I build a stronger business case to get senior management's attention?
- What ar-e our biggest risks and how should we manage them?

- What should be our priorities?
- Are there gaps in our CSR strategy? What is the best way to implement the strategy?

Accountants can render comprehensive service offering related to CSR strategy and stakeholder engagement which can be tailored to a client's exact requirements. These services generally, has four main elements:

- Programme development and implementation
- Inventory and gap analysis
- Stakeholder engagement
- Operational solutions and support to decision making

4.1.1. Programme development and implementation

Chartered Accountants can help their clients develop and implement a range of strategic programmes for the ongoing management of business conduct, risks to reputation and corporate responsibility. Specifically, they may work with clients on the development and testing of codes of ethics and conduct; corporate responsibility, environmental, health and safety, and community management systems, controls, policies and procedures; internal audit; and performance and risk metrics.

4.1.2. Inventory and gap analysis

Chartered Accountants can develop a systematic approach that helps both companies that have a strategy or those that are forming one to quickly inventory existing CR activities and assess them against internal obligations (e.g. values, codes, policies, etc.) and leading external practices (e.g. peers, rating indices, reporting guidelines, etc.). Depending on a variety of factors, including the industry, geography, and stakeholders, their approach can be tailored to help meet the needs of any client and quickly identify major gaps.

4.1.3. Stakeholder engagement

Companies are no longer accountable only to shareholders and the investment community. They recognise that a broad and diverse group of constituents, including employees, activists, suppliers, consumers, regulators, communities and NGOs can have a significant impact on their reputation and business performance. Stakeholder engagement has therefore become a core requirement for maintaining competitive advantage.

4.1.4. Operational solutions and support to decision making

Chartered Accountants can support governments in evaluating national and international policy options, and help industry make informed decisions concerning corporate investment and strategic environmental management.

4.2. Reporting and assurance of non-financial information

Drawing on its unsurpassed capabilities in financial reporting and auditing, Chartered Accountants can develop a comprehensive service to assist clients report and assure non-financial information.

- Why should we report on anything other than economic value and financial results?
- What non-financial information should be reported and who should we report to?
- What benefits can I obtain from measuring and reporting on social and environmental performance?
- What is the added value of obtaining external assurance on non-financial reporting?

This service, which can be tailored to individual clients' requirements, and can comprise of following four main services:

- Reporting and communication planning and strategy
- Review and improvement of governance, systems and reporting processes
- Obtaining external assurance of non-financial information
- Reporting analysis and feedback

4.2.1 Reporting and communication planning and strategy

Chartered Accountants can help both first-time and experienced reporters to define their aims, audiences and the information needs of readers in communicating non-financial information, internally and externally. They can advise on the planning and development of a reporting framework and on the selection and development of key performance indicators to ensure that our clients effectively address stakeholder expectations in terms of transparency and accountability.

4.2.2 Review and improvement of governance, systems and reporting processes

Chartered Accountants can help companies to review and establish optimal governance structures, appropriate management systems and formalised information-collection mechanisms and processes in order to facilitate the preparation, compilation and reporting of high-quality, non-financial data and information. Their services can also include the assessment of system and process readiness and effectiveness.

4.2.3 Obtaining external assurance of non-financial information

Chartered Accountants has reputation as an assurance provider with strong skills in applying assurance standards, developing assurance methodologies and applying non-financial content and industry-specific knowledge. In addition to reinforcing the credibility of the subject matter in question, their approach must cover the performance of existing management systems and controls. As a result, they can recommend improvements to reporting systems and processes, based on both proven knowledge and best practice, and can reduce the risk of reporting material mis-statements.

4.2.4 Reporting analysis and feedback

Analysis and feedback from different parties play an important part in the continuous evolution of reporting. Yet organisations are often disappointed in the amount and quality of feedback they receive from stakeholders on their reporting efforts. Chartered Accountants can offer reviews of reports and disclosures against peer-group and leading-practice reporting, which reflects current stakeholder concerns, and recommend short- and long-term improvements.

4.3 Climate change and emissions trading

Climate change has emerged as one of the most important political and business issues of contemporary time. Chartered Accountants can offer a broad range of advisory, assurance and professional services that collectively guide clients through the complexities of climate change and emissions trading.

- What's the best way to manage our climate change and emission trading risk?
- How can we maximise value from our Clean development mechanism (CDM) and Joint implementation (JI) projects?
- What are the latest developments on accounting and tax issues?
- How should we manage the verification and compliance processes?

Accountants can do the following in respect to the above:

- Strategy formulation
- Carbon finance and transactions
- CDM and JI project design and development
- Carbon risk management and health check
- Greenhouse gases data management, reporting, and verification
- Public policy and delivery

4.3.1 Strategy formulation

Chartered Accountants can help clients analyse markets and policy developments and integrate climate-change challenges and opportunities into their corporate strategy and plans. They can advise clients on their corporate, investment and emissions trading strategy, as well as on investor relations and wider stakeholder engagement. They can offer knowledge in renewable energy and retail carbon, as well as compliance markets and policy. They can help with scenario planning, market analysis and commercial, regulatory and environmental strategy development.

4.3.2 Carbon finance and transactions

Chartered Accountants can work with both buyers and sellers of carbon credits in all the main carbon markets, offering a full range of transaction services, including financial advice, tax structuring, auctions and carbon due diligence. They can also help clients to assess the climate-change risks and opportunities in corporate mergers and acquisitions and financing transactions and to understand the value implications.

4.3.3 CDM and JI project design and development

It is likely that many countries in the EU and elsewhere will depend on emission reductions generated by projects developed under the CDM and JI schemes established under the Kyoto Protocol to meet their Kyoto targets. Chartered Accountants can advise clients on CDM and JI project development covering all stages of the project cycle, from origination to sale.

4.3.4 Carbon risk management and health check

Chartered Accountants can help companies systematically to identify and evaluate the risks presented by climate change and emissions trading, and to develop effective risk management measures in the context of an often fluid and uncertain external environment.

4.3.5 GHG data management, reporting, and verification

The design and implementation of robust data management systems and quality control over reported information are key challenges for organisations participating in emissions trading schemes or voluntary initiatives to address carbon emissions. Chartered Accountants can help their clients establish greenhouse gas inventories to meet emerging international best practice, advise them on the design and implementation of data gathering and reporting systems, and test the adequacy of their controls over the data. In addition, they can provide external assurance of the accuracy and reliability of greenhouse gas data, both within international emissions trading regimes and within the context of sustainability reporting.

4.3.6 Public policy and delivery

Chartered Accountants can provide evidence-based policy advice to government and public-sector clients on climate change. They can advise public-sector clients across national, regional and local governments. Their services can include advising on the design of market structures for emissions trading, helping organisations address their own carbon footprint and assessing the socio-economic impact of the physical effects of climate change.

4.4 Transaction support on EHS issues

Consideration of EHS (environmental, health, and safety) opportunities and risks has become customary during the due diligence and transaction process. Whether a company is completing an acquisition, turning around a business, restructuring or divesting itself of assets, Chartered Accountants can shed light on key environmental and social matters that are critical to creating a sustainable business and protecting shareholder value.

Chartered Accountants can offer services to meet the needs of both asset buyers and asset sellers, as well as management involved in asset structuring/integration following completion of a deal:

- Buy-side due diligence
- Post-deal services
- Vendor due diligence

4.4.1 Buy-side due diligence

Chartered Accountants can render environmental, health and safety and reputation (EHSR) transaction support which typically involves:

- Advising on the appropriate scoping of EHSR due diligence
- Reviewing available information, including data room material, undertaking site visits, holding management meetings and assessing information provided by third parties
- Identifying and characterising EHSR risks and liabilities and their effect on the business plan, purchase price, capital expenditure requirements and so on; and
- Advising on the use of risk-mitigation measures (for example, via sale and purchase agreements, environmental insurance policies or other risk-transfer mechanisms).

4.4.2 Post-deal services

Having developed an understanding of the EHSR risks attaching to a particular asset purchase via the due diligence process, the purchaser will need to ensure that identified (or subsequently identified) risks are appropriately managed after the deal is completed. This may involve:

- Intensive management of "hot" post-deal issues, including those risks or liabilities that may come to light following inadequate due diligence, or that were not managed appropriately through the sale and purchase agreement or other risk-transfer mechanisms
- Integration of EHSR management-system arrangements
- Development of appropriate capacity to generate EHSR management information to meet the disclosure requirements of the new owner
- Implementation of longer-term environmental improvement projects (for example, pollution abatement/clean technologies and remediation projects)
- Insurance recovery investigations to identify existing insurance policies that may cover historic and future liabilities; and
- Advising on the financial accounting implications of any acquired liabilities (for example, a review of provisioning models).

4.4.3 Vendor due diligence

In seeking to maximise the value of an asset sale, the vendor must be prepared to supply an appropriate level of credible information to prospective purchasers. The vendor must maintain control over the generation and management of EHSR risk information in order to:

- Ensure that it can respond robustly to the concerns of prospective purchasers
- Ensure that it can respond efficiently to requests for information from the purchaser; and
- Avoid generating information that provides the purchaser with an inaccurate picture of the situation and thus hampers the progress of the deal or has an adverse impact on the asset's value.

4.5 Supply-chain risk management

Over the last 10 to 15 years, many companies have reduced their business costs and expanded their product lines though an aggressive supply chain strategy. Low-cost country sourcing, multi-tiered supplier networks and business process outsourcing are among the supply chain initiatives that companies, large and small, have employed. The benefits of these initiatives are apparent—companies are able to reduce the cost of goods, develop new markets, and free-up resources to focus on core value-adding activities. However, these benefits are often accompanied by greater supply chain complexity and exposure to new risks. The corporate may be increasingly sourcing from countries and regions they are not familiar with and where social and reputation risks are increasingly catching the attention of stakeholders. They are concerned that this does not jeopardise their overall business objectives.

Chartered Accountants can develop an integrated set of diagnostic tools and related services that help clients identify, prioritise and address supply chain risk to address three critical areas:

- Supply-chain risk assessment
- Design of frameworks for supply-chain risk management
- Supply-chain risk mitigation

4.5.1 Supply-chain risk assessment

At every stage in the process – developing a sourcing and supply-chain strategy, selecting suppliers and partners, managing established relationships and processes, or even discontinuing a relationship or process – risks need to be acknowledged and effectively managed. Chartered Accountants can help companies to make an inventory of these key risks; to evaluate their potential impact, using established and tested risk-quantification tools; and to assess the likelihood of their occurrence.

4.5.2 Design of frameworks for supply-chain risk management

Chartered Accountants can help companies that have conducted an assessment of their supply-chain risks to design an appropriate risk-control framework. They should systematically considers each of the components required for effective risk management – internal environment, business objectives, event identification, risk assessment, risk response, control activities, communications and monitoring procedures.

4.5.3 Supply-chain risk mitigation

One of the most challenging aspects of supply-chain risk management is ensuring the proper implementation and continued application of an effective risk-control framework – procedures, training, monitoring and reporting. Companies that have identified their key risks and defined the appropriate responses require adequate capabilities and the organisational discipline to implement the risk- control framework effectively. Chartered Accountants can help clients to implement effective risk-mitigating activities and controls by providing training and monitoring services.

Chapter 3: Evolution of Sustainability Reporting

I. Evolution

Human activities are a part of and dependent upon the natural world and the human ecosystem, despite all it achievements, is a subset of the larger ecosystem of the Earth. Sustainability is about meeting basic human needs and wants. People value their health and that of their children, economic security and happiness.

The concept of sustainability as we understand now emerged in a series of meetings and reports during the 1970s and 1980s. In 1972, the UN Stockholm Conference on the Human Environment marked the first great international meeting on how human activities were harming the environment and putting humans at risk. The conference is rooted in the regional pollution and acid rain problems of northern Europe. This conference marked the first international recognition of environmental issues. Apart from increasing awareness of environmental issues among public and governments (for example, many governments subsequently created Ministries for the Environment and/or national agencies for environmental monitoring and regulation), it laid theframework for future environmental cooperation; led to the creation of global and regional environmental monitoring networks and the creation of the United Nations Environment Programme.

The 1980 World Conservation Strategy, prepared by the International Union for the Conservation of Nature along with the UN Environment Program and the World Wildlife Fund, emphasized that humanity, which exists as a part of nature, has no future unless nature and natural resources are conserved. It stated a new message: that conservation is not the opposite of development. It emphasized that conservation includes both protection and the rational use of natural resources, and is essential if people are to achieve a life of dignity and if the welfare of present and future generations is to be assured. It called for globally coordinated efforts to increase human well-being and halt the destruction of Earth's capacity to support life.

In 1987, the UN-sponsored Brundtland Commission released Our Common Future, a report that captured widespread concerns about the environment and poverty in many parts of the world. The Brundtland report said that economic development cannot stop, but it must change course to fit within the planet's ecological limits.This report, named after Norwegian Prime Minister Gro Harlem Brundtland chair of the UN's World Commission on Environment and Development that authored it, coined the term "sustainable development," It defined "sustainable development," as "[meeting] the needs of the present without compromising the ability of future generations to meet their own needs. It tied problems together and, for the first time, gaves some direction for comprehensive global solutions

The Brundtland report captured many environmental concerns when it said:

> "Major, unintended changes are occurring in the atmosphere, in soils, in waters, among plants and animals. Nature is bountiful but it is also fragile and finely balanced. There are thresholds that cannot be crossed without endangering the basic integrity of the system. Today we are close to many of those thresholds."

World attention on sustainability peaked at the 1992 UN Conference on Environment and Development, in Rio de Janeiro. It brought together representatives from 179 governments, and included the Earth Summit, the largest-ever meeting of world leaders. The meeting resulted in the publication of Agenda 21, the Convention on Biological Diversity, the Framework Convention on Climate Change, the Rio Declaration, and a statement of non-binding Forest Principles. The parallel NGO Forum signs a full set of alternative treaties.

Also, the interest in the concept was spurred by a series of incidents and discoveries, including the leak of poisonous gas from a chemical plant at Bhopal, India, the explosion and radioactive release from Chernobyl, Ukraine, the hole in the Antarctic ozone layer, leaking toxic chemical dumps, such as Love Canal, general fears about chemical contamination and conflicts over decreasing natural resources such as forests and fisheries.

II. Triple bottom line reporting

Now a more widely used definition has emerged: sustainability is the successful balancing of economic prosperity, environmental health, and social equity. Now the concept of triple bottom line for business has emerged. In its broadest sense, the triple bottom line captures the spectrum of values that organizations must embrace - economic, environmental and social. In practical terms, triple bottom line accounting means expanding the traditional company reporting framework to take into account not just financial outcomes but also environmental and social performance

The phrase was coined by John Elkington, co-founder of the business consultancy SustainAbility, in his 1997 book “Cannibals with Forks: the Triple Bottom Line of 21st Century Business”. He also developed the 3P formulation, ‘people, planet and profits’ in 1995.

Triple Bottom Line accounting attempts to describe the social and environmental impact of an organization's activities, in a measurable way, to its economic performance in order to show improvement or to make evaluation more in-depth.

III. Codes/principles / standards on Sustainability around the globe

A code of conduct is a document that outlines a set of behavioural principles and expectations. The contents, principles, implementation and monitoring of these codes are the key issues involved in the document. The purpose is to regulate the behaviour of persons or entity in any organizational structure. These codes promotes standards of ethical business practices.

Following codes, principles, standards, etc addresses a broad spectrum of Corporate Social Responsibility and Sustainable development.

1. Universal Declaration of Human Rights

Adopted by United Nations, this declaration paved way for many international human rights standards for all sectors and entities. It proclaimed the Universal Declaration of Human Rights as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, , shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance.

2. UN Global Compact

Launched in July 2000, the UN Global Compact is a both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a leadership initiative endorsed by chief executives, it seeks to align business operations and strategies everywhere with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption

- Provides a framework for invocation, creativity, best practices
- Assist companies incorporating a greater level of social responsibility in their operations
- Not a substitute for regulatory structure
- The ten principles, to be integrated in own business operations and broader spectrum impacted by their business
- The ten principles covers human rights forced labour, child labour, environmental challenges and responsibility, non discrimination, freedom of associations, collective bargaining, corruption, etc.
- It relies on on public accountability, transparency and disclosure to complement regulation and to provide a space for innovation.

The ten principles:

Human Rights

Businesses should:

- Principle 1: Support and respect the protection of internationally proclaimed human rights; and
- Principle 2: Make sure that they are not complicit in human rights abuses.

Labour Standards

Businesses should uphold:

- Principle 3: the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in employment and occupation.

Environment

Businesses should:

- Principle 7: support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

3. Global Reporting Initiative (GRI)

Global Reporting Initiative (GRI) produces one of the world's most prevalent standards for sustainability reporting. GRI seeks to make sustainability reporting by all organizations as routine as and comparable to financial reporting.

- Established for developing globally applicable guidelines for reporting on economic, environmental and social performance of any business.
- Its Sustainability Reporting Guidelines provides a reporting standard which enables companies to enhance the quality of their reports.
- As of January 2009, more than 1,500 organizations from 60 countries use the Guidelines to produce their sustainability reports

4. The Global Sullivan Principles

The Sullivan Principles are the names of two corporate codes of conduct, developed by the African-American preacher Rev. Leon Sullivan, promoting corporate social responsibility. The first one focused on South African apartheid and the new Global Sullivan Principles were unveiled in 1999 by Rev. Sullivan and United Nations Secretary General Kofi Annan focused on corporate code of conduct.

- They were designed to increase the active participation of corporations in the advancement of human rights and social justice at the international level.
- Encourage companies to support economic, social and political justice wherever they do business

- The principles consists of eight single sentences value statements that addresses a range of human rights related issues.

The Principles:

As a company which endorses the Global Sullivan Principles we will respect the law, and as a responsible member of society we will apply these Principles with integrity consistent with the legitimate role of business. We will develop and implement company policies, procedures, training and internal reporting structures to ensure commitment to these principles throughout our organization. We believe the application of these Principles will achieve greater tolerance and better understanding among peoples, and advance the culture of peace.

Accordingly, we will:

1. Express our support for universal human rights and, particularly, those of our employees, the communities within which we operate, and parties with whom we do business.
2. Promote equal opportunity for our employees at all levels of the company with respect to issues such as color, race, gender, age, ethnicity or religious beliefs, and operate without unacceptable worker treatment such as the exploitation of children, physical punishment, female abuse, involuntary servitude, or other forms of abuse.
3. Respect our employees' voluntary freedom of association.

4. Compensate our employees to enable them to meet at least their basic needs and provide the opportunity to improve their skill and capability in order to raise their social and economic opportunities.
5. Provide a safe and healthy workplace; protect human health and the environment; and promote sustainable development.
6. Promote fair competition including respect for intellectual and other property rights, and not offer, pay or accept bribes.
7. Work with governments and communities in which we do business to improve the quality of life in those communities – their educational, cultural, economic and social well-being – and seek to provide training and opportunities for workers from disadvantaged backgrounds.
8. Promote the application of these principles by those with whom we do business.

We will be transparent in our implementation of these principles and provide information which demonstrates publicly our commitment to them.

5. Benchmarks for CSR

- Drafted for measuring Business Performance in response to globalization of economy and growth of transnational corporations.
- It offers 100 principles, outlining philosophies to ensure responsible company actions, 129 criteria, relating to company's commitment to implement improved corporate performance which develops relevant policies and practice and 118 benchmarks to assists companies about responsible corporate behaviour.

6. OECD (Organization for Economic Co-operation and Development Guidelines) for Multi national Enterprises

The OECD Guidelines are recommendations by governments to multinational enterprises (MNEs) operating in or from the countries that adhere to the Guidelines. The Guidelines help ensure that MNEs act in harmony with the policies of countries in which they operate and with societal expectations. They are the only comprehensive, multilaterally endorsed code of conduct for MNEs.

- They establish non-binding principles and standards covering a broad range of issues in business ethics.
- The basic premise of the Guidelines is that internationally agreed principles can help to prevent misunderstandings and build an atmosphere of confidence and predictability among business, labour, governments and society as a whole.
- These development guidelines contains recommendations on core labour, environmental standards, human rights, competition, taxation, science and technology combating corruption and safe guarding, consumer rights.
- Encourages responsible business practices, strengthen relationship between government and multinational enterprises, enhance contribution of multi national enterprises to sustainable development and plays prominent role in fostering good governance in the public and in corporate activity.

7. Social Accountability 8000

- A code of conduct verification and factory certification programme.
- Specifies requirement for social accountability to enable a company to develop, maintain and enforce policies and procedures in order to manage those issues which it can influence or control.
- Covers standards and monitoring programmes for child labour, forced labour, disciplinary practices, non discrimination, wages and benefits, working hours, health and safety, freedom of associations and collective bargaining and management system etc.
- Applies regardless of geographic locations, industry sector, or company size.
- The standard is maintained by Social Accountability International.

8. Principles for Responsible Investment (PRI)

- A set of global best practice principles for responsible investment
- Provide a framework for achieving better long term investment returns and more sustainable markets.

- The six voluntary principles are underpinned by a set of 35 possible actions that institutional investors can take to integrate environmental, social and corporate governance considerations into their investment activities.

9. APEC

- Asia Pacific Economic Corporation, APEC is an international organization for economic co-operation among the pacific rim countries.
- The code is an inspirational standard that draws significally on a variety of internationally recognized codes and standards.
- The code addresses policy recommendations to APEC country governments

10 Role of ILO

- ILO seeks the promotion of social justice and internationally recognized human and labour rights.
- Formulate international labour standards in the form of conventions and recommendations setting minimum standards of basic labour rights.

11. ISO –development of new standard on Social Responsibility

- ISO ,an International Standard setting body is developing a new standard on Social Responsibility namely ISO 26000
- ISO 26000 is intended for use by all types of organizations and in all countries and to assist organization to operate in a socially responsible manner
- This standard will be consistent with and would complement relevant declaration is and conventions of UNO & ILO and the ten principles of UN Global Compact.
- This standard will not be used for certification and contains guidelines providing issue specific guidance.

Chapter 4 : Global Reporting Initiative Sustainability Reporting Framework

Global Reporting Initiative

The **Global Reporting Initiative** (GRI) produces one of the world's most prevalent standards for sustainability reporting - also known as ecological footprint - guidelines. GRI seeks to make sustainability reporting by all organizations as routine as and comparable to financial reporting.

The “GRI” refers to the global network of many thousands worldwide that create the Reporting Framework, use it in disclosing their sustainability performance, demand its use by organizations as the basis for information disclosure, or are actively engaged in improving the standard.

GRI Guidelines are extremely widely used. As of January 2009, more than 1,500 organizations from 60 countries use the Guidelines to produce their sustainability reports. GRI Guidelines apply to corporate businesses, public agencies, smaller enterprises, NGOs, industry groups and others.

The Guidelines are the most used, credible and trusted framework in the world largely because of the way they are created: through a multi-stakeholder, consensus seeking approach.

Representatives from a broad cross section of society – business, civil society, labor, accounting, investors, academics, governments, and others – from all around the world come together and achieve consensus on what the Guidelines should contain. Having multiple stakeholders ensures that multiple needs and all stakeholders are considered. This contrasts to what might happen if, for example, just business representatives, or just NGO representatives created the guidelines. It is also beneficial as it helps to increase the chances that all relevant sustainability issues are included, and the accompanying best measures are developed.

The network is supported by an institutional side of the GRI, which is made up of the following governance bodies: Board of Directors, Stakeholder Council, Technical Advisory Committee, Organizational Stakeholders, and a Secretariat. Diverse geographic and sector constituencies are represented in these governance bodies. The GRI headquarters and Secretariat is in Amsterdam, The Netherlands. The GRI was formed by the United States based non-profits Ceres (formerly the Coalition for

Environmentally Responsible Economies) and Tellus Institute, with the support of the United Nations Environment Programme (UNEP) in 1997. It released an "exposure draft" version of the Sustainability Reporting Guidelines in 1999, the first full version in 2000, the second version was released at the World Summit for Sustainable Development in Johannesburg – where the organization and the Guidelines were also referred to in the Plan of Implementation signed by all attending member states. Later that year it became a permanent institution, with its Secretariat in Amsterdam, the Netherlands. Although the GRI is independent, it remains a collaborating centre of UNEP and works in cooperation with the United Nations Global Compact.

GRI Sustainability Reporting Framework

The Reporting Framework is made up of the Sustainability Reporting Guidelines (the Guidelines), Sector Supplements, Indicator Protocols, and soon to come, National Annexes. Together these are known as the Sustainability Reporting Framework. The components contain reporting principles, guidance, and standard disclosures that are generally applicable to all businesses, non-profits, public agencies, and other organizations large and small, across all geographies and regions.

Ingredients of the Framework:

1. Sustainability Reporting Guidelines

- It is the cornerstone of the framework.
- It provides guidance for organizations to disclose their sustainability performance.
- It is applicable to organizations of any size or type, and from any sector or geographic region, and has been used by thousands of organizations worldwide as the basis for their sustainability reporting.
- It facilitates transparency and accountability by organizations and provides stakeholders a universally-applicable, comparable framework from which to understand disclosed information.
- The Guidelines should be used as the basis for all reporting.
- They are the foundation upon which all other reporting guidance is based, and outline core content for reporting that is broadly relevant to all organizations regardless of size, sector, or location.
- The Guidelines contain principles and guidance as well as standard disclosures – including indicators – to outline a disclosure framework that organizations can voluntarily, flexibly, and incrementally, adopt.
- The core Guidelines are in their third generation (“G3”) and were released in October 2006.

2. Protocols

They are the "recipe" behind each indicator in the Guidelines and include definitions for key terms in the indicator, compilation methodologies, intended scope of the indicator, and other technical references.

3. Sector Supplements respond to the limits of a one-size-fits-all approach. Sector Supplements complement (not replace) use of the core Guidelines by capturing the

unique set of sustainability issues faced by different sectors such as mining, automotive, banking, public agencies and others.

4. National Annex

To be developed in the future, National Annexes will contain reporting guidance that reflects the unique circumstances and issues found at the country or regional level. This may include relationship of the GRI Guidelines to existing national-level mandated reporting requirements, or guidance on unique sustainability issues faced in the region. Annexes will be developed to be used in conjunction with the Guidelines, not in place of them.

Reports can be used for the following purposes, among others:

• **Benchmarking** and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives;

• **Demonstrating** how the organization influences and is influenced by expectations about sustainable development; and

• **Comparing** performance within an organization and between different organizations over time.

Application Level

To meet the needs of new beginners, advanced reporters, and those somewhere in between, there are three levels in the system. They are titled C, B, and A, The reporting criteria found in each level reflects an increasing application or coverage of the GRI Reporting Framework. An organization can self-declare a “plus” (+) at each level (ex., C+, B+, A+) if they have utilized external assurance.

Maximizing Report Value

Sustainability reporting is a living process and tool, and does not begin or end with the framing of report . Reporting should fit into a broader process for setting organizational strategy, implementing action plans, and assessing outcomes. Reporting enables a robust assessment of the organization's performance, and can support continuous improvement in performance over time. It also serves as a tool for engaging with stakeholders and securing useful input to organizational processes

GRI guidelines

Part 1- Defining Report Content, Quality, and Boundary

Three main elements of the reporting process are described in Part 1. To help determine what to report on, this section covers the Reporting Principles of materiality, stakeholder inclusiveness, sustainability context, and completeness, along with a brief set of tests for each Principle. Application of these Principles with the Standard Disclosures determines the topics and Indicators to be reported. This is followed by Principles of balance, comparability, accuracy, timeliness, reliability, and clarity, along with tests that can be used to help achieve the appropriate quality of the reported information. The section concludes with guidance for reporting organizations on how to define the range of entities represented by the report (also called the 'Report Boundary').

Part 2 – Standard Disclosures

Part 2 contains the Standard Disclosures that should be included in sustainability reports. The Guidelines identify information that is relevant and material to most organizations and of interest to most stakeholders for reporting the three types of Standard Disclosures:

Strategy and Profile: Disclosures that set the overall context for understanding organizational performance such as its strategy, profile, and governance.

Management Approach: Disclosures that cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.
Performance Indicators: Indicators that elicit comparable information on the economic, environmental, and social performance of the organization.

In order to ensure a balanced and reasonable presentation of the organization’s performance, a determination must be made about what content the report should cover. This determination should be made by considering both the organization’s purpose and experience, and the reasonable expectations and interests of the organization’s stakeholders. Both are important reference points when deciding what to include in the report. The guidelines requires to distinguish between two types: core and additional indicators.

Core indicators:

- General indicators relevant to most organisations.

  Indicators of interest to most stakeholders.

Additional indicators:

- Represent leading practice in economic, environmental or social measurement, though currently used by few organisations.

- Provide information of interest to stakeholders who are particularly important to the reporting organisation.

- Are deemed worthy of further testing for possible consideration as future core indicators.

Organisations are encouraged to use a number of indicators based on this guidance, though some flexibility and discretion are allowed. The Guidelines are non-prescriptive and do not require organisations to adhere to specific standards or codes.

The Guidelines focus primarily on what is being reported and how the report has been prepared. Whilst they emphasise the importance of stakeholder feedback in writing reports, they do not offer specific guidance on how to conduct stakeholder engagement and they do not focus on how the process is assured or audited..

Whilst GRI seeks to enhance comparability between reports, it can also incorporate flexibility so that organisations can take steps to reflect the context in which they operate. The Guidelines can also be used with a more informal approach consistent with an organisation's capacity. The organisation may choose to cover only some of the content in working towards improving its reporting. With this in mind, organisations are also asked to clearly indicate how they have used the Guidelines and in particular, the core indicators. With time and practice, organisations are encouraged to move gradually towards more comprehensive reporting built on the content of the GRI framework.

Part I : 1: Defining Report Content, Quality, and Boundary

This section provides Reporting Principles and Reporting Guidance regarding defining report content, ensuring the quality of reported information, and setting the Report Boundary

1.1 Defining Report Content

In order to ensure a balanced and reasonable presentation of the organization's performance, a determination must be made about what content the report should cover. This determination should be made by considering both the organization's purpose and experience, and the reasonable expectations and interests of the organization's stakeholders. Both are important reference points when deciding what to include in the report.

Reporting Guidance for Defining Content

Options for Reporting

Principles and Guidance

Principles for Defining Report Content

- Materiality

- Stakeholder Inclusiveness
- Sustainability Context
- Completeness

Materiality:

The information in a report should cover topics and Indicators that reflect the organization's significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders. Materiality for sustainability reporting is not limited only to those sustainability topics that have a significant financial impact on the organization. Determining materiality for a sustainability report also includes considering economic, environmental, and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations. The report should emphasize information on performance regarding the most material topics. Other relevant topics can be included, but should be given less prominence in the report. The process by which the relative priority of topics was determined should be explained.

External Factors

In defining material topics, take into account external factors, including:

- Main sustainability interests/topics and Indicators raised by stakeholders.
- The main topics and future challenges for the sector reported by peers and competitors.
- Relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the organization and its stakeholders.
- Reasonably estimable sustainability impacts, risks, or opportunities (e.g., global warming, HIV-AIDS, poverty) identified through sound investigation by people with recognized expertise, or by expert bodies with recognized credentials in the field.

In defining material topics, take into account internal factors, including:

- Key organizational values, policies, strategies, operational management systems, goals, and targets.
- The interests/expectations of stakeholders specifically invested in the success of the organization (e.g., employees, shareholders, and suppliers).
- Significant risks to the organization.

- Critical factors for enabling organizational success.
- The core competencies of the organization and the manner in which they can or could contribute to sustainable development.
- Prioritizing
- The report prioritizes material topics and Indicators

Stakeholder Inclusiveness

The reporting organization should identify its stakeholders and explain in the report how it has responded to their reasonable expectations and interests.

Stakeholders can include those who are invested in the organization (e.g., employees, shareholders, suppliers) as well as those who are external to the organization (e.g., communities).

The reporting organization should document its approach for defining which stakeholders

it engaged with, how and when it engaged with them, and how engagement has influenced the report content and the organization's sustainability activities. These processes should be capable of identifying direct input from stakeholders as well as legitimately established societal expectations. An organization may encounter conflicting views or differing expectations among its stakeholders, and will need to be able to explain how it balanced these in reaching its reporting decisions.

The organization can describe the stakeholders to whom it considers itself accountable.

- The report content draws upon the outcomes of stakeholder engagement processes used by the organization in its ongoing activities, and as required by the legal and institutional framework in which it operates.
- The report content draws upon the outcomes of any stakeholder engagement processes undertaken specifically for the report.
- The stakeholder engagement processes that inform decisions about the report are consistent with the scope and boundary of the report

Sustainability Context

The report should present the organization's performance in the wider context of sustainability.

Information on performance should be placed in context. The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental, and social conditions, developments, and trends at the local, regional, or global level.

Reporting only on trends in individual performance will not serve the purpose . They have to be in relation to broader concepts of sustainability. This will involve discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sectoral, local, regional, or global level. For example, an organization might also present its absolute pollution loading in relation to the capacity of the regional ecosystem to absorb the pollutant.

Completeness

Coverage of the material topics and Indicators and definition of the report boundary should be sufficient to reflect significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization's performance in the reporting period.

Completeness primarily encompasses the dimensions of scope, boundary, and time. The concept of completeness can also be used to refer to practices in information collection (for example, ensuring that compiled data includes results from all sites within the Report Boundary) and whether the presentation of information is reasonable and appropriate.

Scope refers to the range of sustainability topics covered in a report. The sum of the topics and Indicators reported should be sufficient to reflect significant economic, environmental, and social impacts. It should also enable stakeholders to assess the organization's performance. In determining whether the information in the report is sufficient, the organization should consider both the results of stakeholder engagement processes and broadbased societal expectations.

'Boundary' refers to the range of entities (e.g., subsidiaries, joint ventures, sub-contractors, etc.) whose performance is represented by the report. In setting the boundary for its report, an organization must consider the range of entities over which it exercises control (often referred to as the 'organizational boundary',) and over which it exercises influence (often called the 'operational boundary'). In assessing influence, the organization will need to consider its ability to influence entities upstream (e.g., in its supply chain) as well as entities downstream (e.g., distributors and users of its products and services). The boundary may vary based on the specific Aspect or type of information being reported.

‘Time’ refers to the need for the selected information to be complete for the time period specified by the report. As far as practicable, activities, events, and impacts should be presented for the reporting period in which they occur. This includes reporting on activities that have minimal short-term impact, but which have a significant and reasonably foreseeable cumulative effect that may become unavoidable or irreversible in the longer term (e.g., bio-accumulative or persistent pollutants). In making estimates of future impacts (the reported information should be based on well-reasoned estimates)

1.2 Reporting Principles for Defining Quality

The quality of information enables stakeholders to make sound and reasonable assessments of performance, and take appropriate action.

- Balance
- Comparability
- Clarity
- Accuracy
- Timeliness
- Reliability

Balance: The report should reflect positive and negative aspects of the organization’s performance to enable a reasoned assessment of overall performance.

The overall presentation of the report’s content should provide an unbiased picture of the reporting organization’s performance. The report should avoid selections, omissions, or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgment by the report reader. The report should include both favorable and unfavorable results. Reports should clearly distinguish between factual presentation and the reporting organization’s interpretation of information.

Comparability: Issues and information should be selected, compiled, and reported consistently. Reported information should be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and could support analysis relative to other organizations.

Stakeholders using the report should be able to compare information reported on economic, environmental, and social performance against the organization's past performance, its objectives, and, to the degree possible, against the performance of other organizations. Consistency in reporting facilitates in benchmarking performance and assess progress as part of rating activities, investment decisions, advocacy programs, and other activities. Comparisons between organizations require sensitivity to factors such as differences in organizational size, geographic influences, and other considerations that may affect the relative performance of an organization.

Accuracy

The reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.

The characteristics that determine accuracy vary according to the nature of the information and the user of the information. For example, the accuracy of qualitative information is largely determined by the degree of clarity, detail, and balance in presentation within the appropriate Report Boundary. The accuracy of quantitative information, on the other hand, may depend on the specific methods used to gather, compile, and analyze data. The specific threshold of accuracy that is necessary will depend partly on the intended use of the information.

Timeliness: Reporting occurs on a regular schedule and information is available in time for stakeholders to make informed decisions.

The usefulness of information is closely tied to whether the timing of its disclosure to stakeholders enables them to effectively integrate it into their decision-making. The timing of release refers both to the regularity of reporting as well as its proximity to the actual events described in the report. Reporting organizations should commit to regularly providing a consolidated disclosure of their economic, environmental, and social performance at a single point in time. Consistency in the frequency of reporting and the length of reporting periods is also necessary to ensure comparability of information over time and accessibility of the report to stakeholders. It can be of value for stakeholders if the schedules for sustainability reporting and financial reporting are aligned.

Clarity: Information should be made available in a manner that is understandable and accessible to stakeholders using the report.

The report should present information in a way that is understandable, accessible, and usable by the organization's range of stakeholders. Information should be presented in a manner that is comprehensible to stakeholders who have a reasonable understanding of the organization and its activities. Graphics and consolidated data tables can help make the information in the report accessible and understandable. The level of aggregation of information can also affect the clarity of a report if it is either significantly more or less detailed than stakeholders expect.

This can be done by avoiding excessive and unnecessary detail. Also, the report should avoid technical terms, acronyms, jargon, or other content likely to be unfamiliar to stakeholders, and should include explanations (where necessary) in the relevant section or in a glossary.

Reliability :Information and processes used in the preparation of a report should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information. Stakeholders should have confidence that a report could be checked to establish the veracity of its contents and the extent to which it has appropriately applied. The information and data included in a report should be supported by internal controls or documentation that could be reviewed by individuals other than those who prepared the report. Disclosures about performance that are not substantiated by evidence should not appear in a sustainability report unless they represent material information, and the report provides unambiguous explanations of any uncertainties associated with the information. The decision-making processes underlying a report should be documented in a manner that allows the basis of key decisions (such as processes for determining the report content and boundary or stakeholder engagement) to be examined. In designing information systems, reporting organizations should anticipate that the systems could be examined as part of an external assurance process.

1.3 Reporting Guidance for Boundary Setting

In parallel with defining the content of a report, an organization must determine which entities' (e.g., subsidiaries and joint ventures) performance will be represented by the report. The Sustainability Report Boundary should include the entities over which the reporting organization exercises control or significant influence both in and through its relationships with various entities upstream (e.g., supply chain) and downstream (e.g., distribution and customers).

For the purpose of setting boundaries, the following definitions should apply:

• Control: the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

• Significant influence: the power to participate in the financial and operating policy decisions of the entity but not the power to control those policies. The guidance below on setting the Report Boundary pertains to the report as a whole as well as setting the boundary for individual Performance Indicators.

Not all entities within the Report Boundary must be reported on in the same manner. The approach to reporting on an entity will depend on a combination of the reporting organization's control or influence over the entity, and whether the disclosure relates to operational performance, management performance, or narrative/descriptive information.

The Report Boundary guidance is based on the recognition that different relationships involve differing degrees of access to information and the ability to affect outcomes. For example, operational information such as emissions data can be reliably compiled from entities under the control of an organization, but may not be available for a joint venture or a supplier. The Report

Boundary guidance below sets minimum expectations for the inclusion of entities upstream and downstream when reporting on Indicators and management disclosures. However, an organization may determine that it is necessary to extend the boundary for an Indicator(s) to include entities upstream or downstream

Determining the significance of an entity when collecting information or considering the extension of a boundary depends on the scale of its sustainability impacts. Entities with significant impacts typically generate the greatest risk or opportunity for an organization and its stakeholders, and therefore are the entities for which the organization is most likely to be perceived as being accountable or responsible

Reporting Guidance for Boundary Setting

A sustainability report should include in its boundary all entities that generate significant sustainability impacts (actual and potential) and/or all entities over which the reporting organization exercises control or significant influence with regard to financial and operating policies and practices.

• These entities can be included using either Indicators of operational performance, Indicators of management performance, or narrative descriptions.

• At a minimum, the reporting organization should include the following entities in its report using these approaches:

• Entities over which the organization exercises control should be covered by Indicators of Operational Performance; and

• Entities over which the organization exercises significant influence should be covered by Disclosures on Management Approach.

Part 2: Standard Disclosures

The base content that should appear in a sustainability report, subject to the guidance on determining content in Part 1 of the Guidelines.

There are three different types of disclosures :

• Strategy and Profile: Disclosures that set the overall context for understanding organizational performance such as its strategy, profile, and governance.

• Management Approach: Disclosures that cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.

• Performance Indicators: Indicators that elicit comparable information on the economic, environmental, and social performance of the organization.

Reporting organizations are encouraged to follow this structure in compiling their reports, however, other formats may be chosen

Annexure I

CORPORATE SOCIAL RESPONSIBILITY

VOLUNTARY GUIDELINES

2009

The Indian corporate sector has seen the current decade as a period of high growth and the emergence of a strong India Inc. having a significant global footprint. The decade also saw the financial crisis that shook the global markets. While the corporate sector is recovering from the jolt of the global financial crisis, the future is looking bright. However, the corporate sector is also standing in the midst of a sustainability crisis that poses a threat to the very existence of business. What we have before us is a cross-road where one path leads us to inclusive growth and the other may lead to unsustainable future. However, the first path will require careful nurturing for which all stakeholders need to assume and discharge their respective responsibilities.

We have seen the business sector generating wealth and value for the shareholders in the last sixty years, but simultaneously we also have the problems of poverty, unemployment, illiteracy, malnutrition etc. facing the nation. The corporate growth is sometimes seen as widening the gap between the India and Bharat through its income – skewing capability. This gap needs to be bridged. While the Government undertakes extensive developmental initiatives through a series of sectoral programmes, the business sector also needs to take the responsibility of exhibiting socially responsible business practices that ensures the distribution of wealth and well-being of the communities in which the business operates.

The Indian business has traditionally been socially responsible. From inactive philanthropy to the incorporation of the stakeholders' interest in the business model, the

Indian business sector practices various methods of discharging its social responsibility. While a lot of human and economic energy is available for utilization in this area, a suitable mechanism is required to channelize this energy for which the Government, corporate sector and the communities need to partner together. Against this background, the Ministry of Corporate Affairs has decided to bring out a set of voluntary guidelines for responsible business which will add value to the operations and contribute towards the long term sustainability of the business. These guidelines will also enable business to focus as well as contribute towards the interests of the stakeholders and the society.

At a time when the Government is engaged with delivery of a gigantic national development initiative and is taking a leadership position on various global issues, I am sure that India Inc. will be ready to walk step in step with the Government to discharge their responsibilities towards national development. I look forward to more and more businesses in India adopting these voluntary guidelines and partnering in the endeavor of national development.

The Ministry of Corporate Affairs has adopted the role of an enabler, facilitator and regulator for effective functioning and growth of the corporate sector. A number of initiatives are underway on the legislative, service delivery and capacity building sides so that the corporate sector is provided with a buoyant and enabling regulatory environment for its growth. Simultaneously, the Ministry is also focusing on various issues related to inclusive growth in relation to the development of corporate sector.

The subject of Corporate Social Responsibility has evolved during last few decades from simple philanthropic activities to integrating the interest of the business with that of the communities in which it operates. By exhibiting socially, environmentally and ethically responsible behaviour in governance of its operations, the business can generate value and long term sustainability for itself while making positive contribution in the betterment of the society.

Although we have seen a period of sustained economic growth in the current decade, we still continue to face major challenges on the human side in India. The problems like poverty, illiteracy, malnutrition etc. have resulted in a large section of the population remaining as “un-included” from the mainstream. We need to address these challenges through suitable efforts and interventions in which all the state and non-state actors need to partner together to find and implement innovative solutions.

Indian business has traditionally been socially responsible and some of the business houses have demonstrated their efforts on this front in a laudable manner. However, the culture of social responsibility needs to go deeper in the governance of the businesses. In order to assist the businesses to adopt responsible governance practices, the Ministry of Corporate Affairs has prepared a set of voluntary guidelines which indicate some of the core elements that businesses need to focus on while conducting their affairs. These guidelines have been prepared after taking into account the governance challenges faced in our country as well as the expectations of the society. The valuable suggestions received from trade and industry chambers, experts and other stakeholders along with the internationally prevalent and practiced guidelines, norms and standards in the area of Corporate Social Responsibility have also been taken into account while drafting these guidelines.

The Ministry would look forward to more and more business communities coming forward and adopting these guidelines. We would also welcome comments and suggestions from various stakeholders to enable us to further refine these guidelines and also work out the details of the operational guidance on the principles and core elements that we propose to include in the coming months. I am sure that India Inc. will accept the challenge in making the Indian corporate sector a global leader in responsible business.

R. Bandyopadhyay

Secretary, Ministry of Corporate Affairs

The 21st century is characterized by unprecedented challenges and opportunities, arising from globalization, the desire for inclusive development and the imperatives of climate change. Indian business, which is today viewed globally as a responsible component of the ascendancy of India, is poised now to take on a leadership role in the challenges of our times. It is recognized the world over that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance. This also makes business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers.

Indian entrepreneurs and business enterprises have a long tradition of working within the values that have defined our nation's character for millennia. India's ancient wisdom, which is still relevant today, inspires people to work for the larger objective of the well-being of all stakeholders. These sound and all-encompassing values are even more relevant in current times, as organizations grapple with the challenges of modern-day enterprise, the aspirations of stakeholders and of citizens eager to be active participants in economic growth and development.

CSR is not philanthropy and CSR activities are purely voluntary- what companies will like to do beyond any statutory requirement or obligation. To provide companies with guidance in dealing with the abovementioned expectations, while working closely within the framework of national aspirations and policies, following Voluntary Guidelines for Corporate Social Responsibility have been developed. While the guidelines have been prepared for the Indian context, enterprises that have a trans-national presence would benefit from using these guidelines for their overseas operations as well. Since the guidelines are voluntary and not prepared in the nature of a prescriptive road-map, they are not intended for regulatory or contractual use.

While it is expected that more and more companies would make sincere efforts to consider compliance with these Guidelines, there may be genuine reasons for some companies in not being able to adopt them completely. In such a case, it is expected that such companies may inform their stakeholders about the guidelines which the companies have not been able to follow either fully or partially. It is hoped that “India Inc.” would respond to these Guidelines with keen interest.

After considering the experience of adoption of these guidelines by Indian Corporate Sector and consideration of relevant feedback and other related issues, the Government may initiate the exercise for review of these Guidelines for further improvement after one year.

Fundamental Principle

Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, which should be an integral part of overall business policy and aligned with its business goals. The policy should be framed with the participation of various level executives and should be approved by the Board.

Core Elements:

The CSR Policy should normally cover following core elements:

1. Care for all Stakeholders:

The companies should respect the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

2. Ethical functioning:

Their governance systems should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive

3. Respect for Workers' Rights and Welfare:

Companies should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labour, have an effective grievance redressal system, should not employ child or forced labour and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment.

4. Respect for Human Rights:

Companies should respect human rights for all and avoid complicity with human rights abuses by them or by third party.

5. Respect for Environment:

Companies should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.

6. Activities for Social and Inclusive Development:

Depending upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

Implementation Guidance:

1. The CSR policy of the business entity should provide for an implementation strategy which should include identification of projects/activities, setting measurable physical targets with timeframe, organizational mechanism and responsibilities, time schedules and monitoring. Companies may partner with local authorities, business associations and civil society/non-government organizations. They may influence the supply chain for CSR initiative and motivate employees for voluntary effort for social development. They may evolve a system of need assessment and impact assessment while undertaking CSR activities in a particular area. Independent evaluation may also be undertaken for selected projects/activities from time to time.

2. Companies should allocate specific amount in their budgets for CSR activities. This amount may be related to profits after tax, cost of planned CSR activities or any other suitable parameter.

3. To share experiences and network with other organizations the company should engage with well established and recognized programmes/platforms which encourage responsible business practices and CSR activities. This would help companies to improve on their CSR strategies and effectively project the image of being socially responsible.

4. The companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports, and other communication media.

Annexure II

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Sustainability Reporting Guidelines

Table of Contents

Preface

Sustainable Development and the Transparency Imperative

The goal of sustainable development is to "meet the needs of the present without compromising the ability of future generations to meet their own needs."[1] As key forces in society, organizations of all kinds have an important role to play in achieving this goal.

Yet in this era of unprecedented economic growth, achieving this goal can seem more of an aspiration than a reality. As economies globalize, new opportunities to generate prosperity and quality of life are arising though trade, knowledge-sharing, and access to technology. However, these opportunities are not always available for an ever-increasing human population, and are accompanied by new risks to the stability of the environment. Statistics demonstrating positive improvements in the lives of many people around the world are counter-balanced by alarming information about the state of the environment and the continuing burden of poverty and hunger on millions of people. This contrast creates one of the most pressing dilemmas for the 21st century.

One of the key challenges of sustainable development is that it demands new and innovative choices and ways of thinking. While developments in knowledge and technology are contributing to economic development, they also have the potential to help resolve the risks and threats to the sustainability of our social relations, environment, and economies. New knowledge and innovations in technology, management, and public policy are challenging organizations to make new choices in the way their operations, products, services, and activities impact the earth, people, and economies.

The urgency and magnitude of the risks and threats to our collective sustainability, alongside increasing choice and opportunities, will make transparency about economic, environmental, and social impacts a fundamental component in effective stakeholder relations, investment decisions, and other market relations. To support this expectation, and to communicate clearly and openly about sustainability, a globally shared framework of concepts, consistent language, and metrics is required. It is the Global Reporting Initiative's (GRI) mission to fulfil this need by providing a trusted and credible framework for sustainability reporting that can be used by organizations of any size, sector, or location.

Transparency about the sustainability of organizational activities is of interest to a diverse range of stakeholders, including business, labor, non-governmental organizations, investors, accountancy, and others. This is why GRI has relied on the collaboration of a large network of experts from all of these stakeholder groups in consensus-seeking consultations. These consultations, together with practical experience, have continuously improved the Reporting Framework since GRI's founding in 1997. This multi-stakeholder approach to learning has given the Reporting Framework the widespread credibility it enjoys with a range of stakeholder groups.

[1] World Commission on Environment and Development. Our Common Future. Oxford: Oxford University Press, 1987, p.43.

Overview of Sustainability Reporting

The Purpose of a Sustainability Report

Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. 'Sustainability reporting' is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g., triple bottom line, corporate responsibility reporting, etc.).

A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization – including both positive and negative contributions.

Sustainability reports based on the GRI Reporting Framework disclose outcomes and results that occurred within the reporting period in the context of the organization's commitments, strategy, and management approach. Reports can be used for the following purposes, among others:

- **Benchmarking** and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives;
- **Demonstrating** how the organization influences and is influenced by expectations about sustainable development; and
- **Comparing** performance within an organization and between different organizations over time.

Orientation to the GRI Reporting Framework

All GRI Reporting Framework documents are developed using a process that seeks consensus through dialogue between stakeholders from business, the investor community, labor, civil society, accounting, academia, and others. All Reporting Framework documents are subject to testing and continuous improvement.

The GRI Reporting Framework is intended to serve as a generally accepted framework for reporting on an organization's economic, environmental, and social performance. It is designed for use by organizations of any size, sector, or location. It takes into account the practical considerations faced by a diverse range of organizations – from small enterprises to those with extensive and geographically dispersed operations. The GRI Reporting Framework contains general and sector-specific content that has been agreed by a wide range of stakeholders around the world to be generally applicable for reporting an organization's sustainability performance.

The Sustainability Reporting Guidelines (the Guidelines) consist of Principles for defining report content and ensuring the quality of reported information. It also includes Standard Disclosures made up of Performance Indicators and other disclosure items, as well as guidance on specific technical topics in reporting.

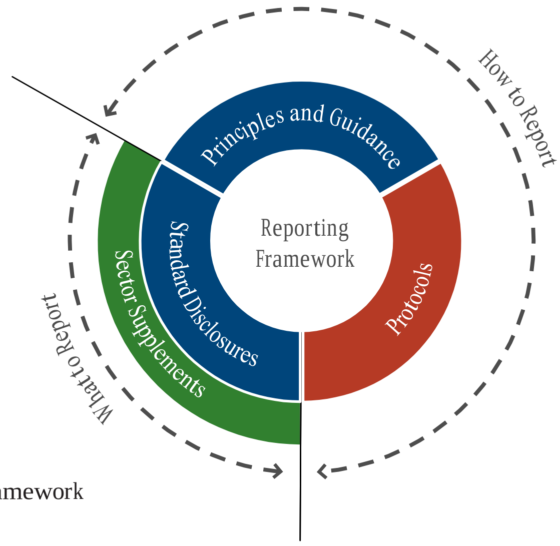

Figure 1: The GRI Reporting Framework

Indicator Protocols exist for each of the Performance Indicators contained in the Guidelines. These Protocols provide definitions, compilation guidance, and other information to assist report preparers and to ensure consistency in the interpretation of the Performance Indicators. Users of the Guidelines should also use the Indicator Protocols.

Sector Supplements complement the Guidelines with interpretations and guidance on how to apply the Guidelines in a given sector, and include sector-specific Performance Indicators. Applicable Sector Supplements should be used in addition to the Guidelines rather than in place of the Guidelines.

Technical Protocols are created to provide guidance on issues in reporting, such as setting the report boundary. They are designed to be used in conjunction with the Guidelines and Sector Supplements and cover issues that face most organizations during the reporting process.

Orientation to the GRI Guidelines

The Sustainability Reporting Guidelines consist of Reporting Principles, Reporting Guidance, and Standard Disclosures (including Performance Indicators). These elements are considered to be of equal in weight and importance.

Part 1 – Reporting Principles and Guidance

Three main elements of the reporting process are described in Part 1. To help determine what to report on, this section covers the Reporting Principles of materiality, stakeholder inclusiveness, sustainability context, and completeness, along with a brief set of tests for each Principle. Application of these Principles with the Standard Disclosures determines the topics and Indicators to be reported. This is followed by Principles of balance, comparability, accuracy, timeliness, reliability, and clarity, along with tests that can be used to help achieve the appropriate quality of the reported information. This section concludes with guidance for reporting organizations on how to define the range of entities represented by the report (also called the 'Report Boundary').

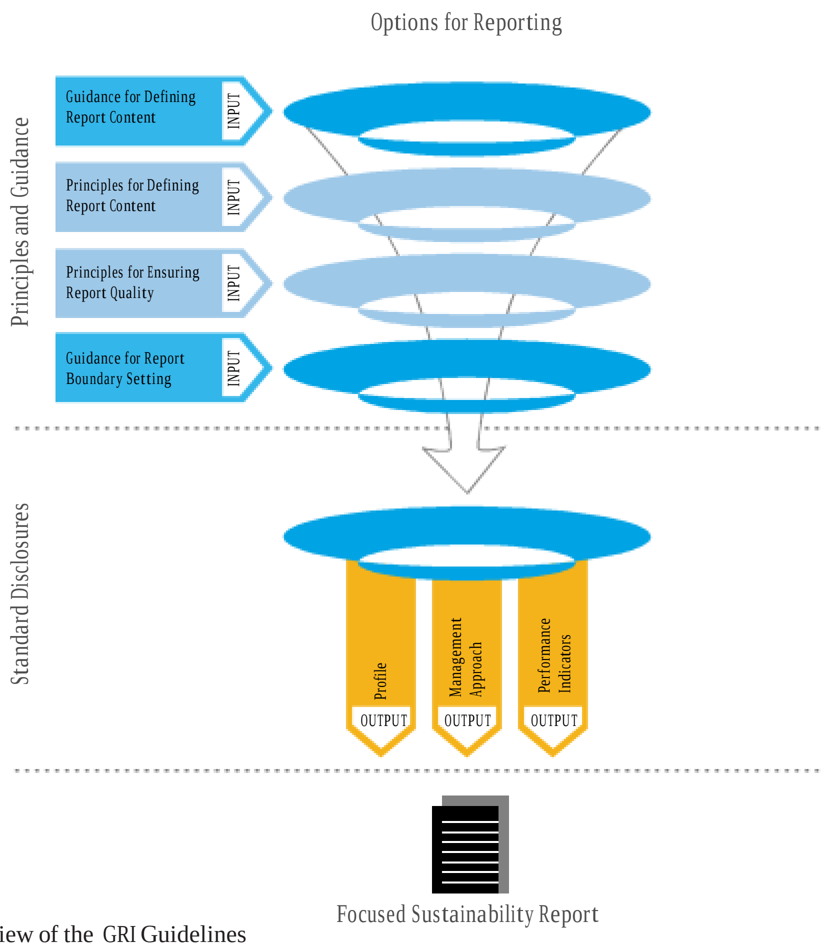

Figure 2: Overview of the GRI Guidelines

Part 2 – Standard Disclosures

Part 2 contains the Standard Disclosures that should be included in sustainability reports. The Guidelines identify information that is relevant and material to most organizations and of interest to most stakeholders for reporting the three types of Standard Disclosures:

- **Strategy and Profile:** Disclosures that set the overall context for understanding organizational performance such as its strategy, profile, and governance.
- **Management Approach:** Disclosures that cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.
- **Performance Indicators:** Indicators that elicit comparable information on the economic, environmental, and social performance of the organization.

Applying the Guidelines

Getting Started

All organizations (private, public, or non-profit) are encouraged to report against the Guidelines whether they are beginners or experienced reporters, and regardless of their size, sector, or location. Reporting can take various forms, including web or print, stand alone or combined with annual or financial reports.

The first step is to determine report content. Guidance for this is provided in Part 1. Some organizations may choose to introduce reporting against the full GRI Reporting Framework from the outset, while others may want to start with the most feasible and practical topics first and phase in reporting on other topics over time. All reporting organizations should describe the scope of their reporting and are encouraged to indicate their plans for expanding their reporting over time.

GRI Application Levels

Upon finalization of their report, preparers should declare the level to which they have applied the GRI Reporting Framework via the "GRI Application Levels" system. This system aims to provide:

- **Report readers** with clarity about the extent to which the GRI Guidelines and other Reporting Framework elements have been applied in the preparation of a report.
- **Report preparers** with a vision or path for incrementally expanding application of the GRI Reporting Framework over time.

Declaring an Application Level results in a clear communication about which elements of the GRI Reporting Framework have been applied in the preparation of a report. To meet the needs of new beginners, advanced reporters, and those somewhere in between, there are three levels in the system. They are titled C, B, and A, The reporting criteria found in each level reflects an increasing application or coverage of the GRI Reporting Framework. An organization can self-declare a "plus" (+) at each level (ex., C+, B+, A+) if they have utilized external assurance.[2]

An organization self-declares a reporting level based on its own assessment of its report content against the criteria in the GRI Application Levels.

[2] See the assurance section under General Reporting Notes for more information on options for assurance.

In addition to the self declaration, reporting organizations can choose one or both of the following options:

- Have an assurance provider offer an opinion on the self-declaration.
- Request that the GRI check the self-declaration.

For more information on Application Levels, and the complete criteria, see the GRI Applications Level information pack available as an insert to this document, or found online at www.globalreporting.org.

Request for notification of use

Organizations that have used the Guidelines and/or other elements of the GRI Reporting Framework as the basis for their report are requested to notify the Global Reporting Initiative upon its release. While notifying GRI, organizations can choose any or all of the following options:

- Simply notify the GRI of the report and provide hard and/or soft copy
- Register their report in GRI's online database of reports
- Request GRI check their self-declared Application Level.

Maximizing Report Value

Sustainability reporting is a living process and tool, and does not begin or end with a printed or online publication. Reporting should fit into a broader process for setting organizational strategy, implementing action plans, and assessing outcomes. Reporting enables a robust assessment of the organization's performance, and can support continuous improvement in performance over time. It also serves as a tool for engaging with stakeholders and securing useful input to organizational processes.

Part 1: Defining Report Content, Quality, and Boundary

This section provides Reporting Principles and Reporting Guidance regarding defining report content, ensuring the quality of reported information, and setting the Report Boundary.

Reporting Guidance describes actions that can be taken, or options that the reporting organization can consider when making decisions on what to report on, and generally helps interpret or govern the use of the GRI Reporting Framework. Guidance is provided for defining report content and setting report Boundary.

Reporting Principles describe the outcomes a report should achieve and guide decisions throughout the reporting process, such as selecting which topics and Indicators to report on and how to report on them. Each of the Principles consists of a definition, an explanation, and a set of tests for the reporting organization to assess its use of the Principles. The tests are intended to serve as tools for self-diagnosis, but not as specific disclosures to report against. Tests can, however, serve as a reference for explaining decisions about the application of the Principles

Together, the Principles are intended to help achieve transparency – a value and a goal that underlies all aspects of sustainability reporting. Transparency can be defined as the complete disclosure of information on the topics and Indicators required to reflect impacts and enable stakeholders to make decisions, and the processes, procedures, and assumptions used to prepare those disclosures. The Principles themselves are organized into two groups:

- Principles for determining the topics and Indicators on which the organization should report; and
- Principles for ensuring the quality and appropriate presentation of reported information.

The Principles have been grouped in this way to help clarify their role and function, but this does not impose a rigid restriction on their use. Each Principle can support a range of decisions, and may prove useful in considering questions beyond just defining report content or ensuring the quality of reported information.

1.1 Defining Report Content

In order to ensure a balanced and reasonable presentation of the organization's performance, a determination must be made about what content the report should cover. This determination should be made by considering both the organization's purpose and experience, and the reasonable expectations and interests of the organization's stakeholders. Both are important reference points when deciding what to include in the report.

Reporting Guidance for Defining Content

The following approach governs the use of the GRI Reporting Framework in preparing sustainability reports.

- Identify the topics and related Indicators that are relevant, and therefore might be appropriate to report, by undergoing an iterative process using the Principles of materiality, stakeholder inclusiveness,

  sustainability context, and guidance on setting the Report Boundary.
- When identifying topics, consider the relevance of all Indicator Aspects identified in the GRI Guidelines and applicable Sector Supplements. Also consider other topics, if any, that are relevant to report.
- From the set of relevant topics and Indicators identified, use the tests listed for each Principle to assess which topics and Indicators are material, and therefore should be reported[3].
- Use the Principles to prioritize selected topics and decide which will be emphasized.
- The specific methods or processes used for assessing materiality should:
  - Differ for, and can be defined by, each organization;
  - Always take into account the guidance and tests found in the GRI Reporting Principles; and
  - Be disclosed.

In applying this approach:

- Differentiate between Core and Additional Indicators. All Indicators have been developed through GRI's multi-stakeholder processes, and those designated as Core are generally applicable Indicators and are assumed to be material for most organizations. An organization should report on these unless they are deemed not material on the basis of the Reporting Principles. Additional Indicators may also be determined to be material.
- The Indicators in final versions of Sector Supplements are considered to be Core Indicators, and should be applied using the same approach as the Core Indicators found in the Guidelines.
- All other information (e.g., company specific Indicators) included in the report should be subject to the same Reporting Principles and have the same technical rigor as GRI Standard Disclosures.
- Confirm that the information to be reported and the Report Boundary are appropriate by applying the Principle of completeness.

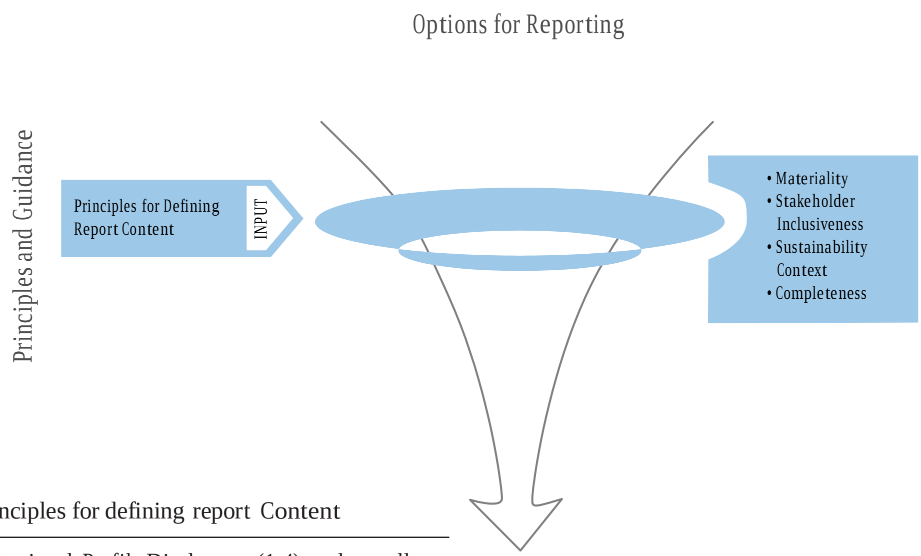

Figure 3: Principles for defining report Content

[3] GRI Organizational Profile Disclosures (1-4) apply to all reporting organizations.

Reporting Principles for Defining Content

Each of the Reporting Principles consists of a definition, an explanation, and a set of tests to guide the use of the Principles. The tests are intended to serve as tools for self-diagnosis, but not as specific Disclosure items to report against. The Principles should be used together with the guidance on defining content.

Materiality

Definition: The information in a report should cover topics and Indicators that reflect the organization's significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders.

Explanation: Organizations are faced with a wide range of topics on which it could report. Relevant topics and Indicators are those that may reasonably be considered important for reflecting the organization's economic, environmental, and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which an issue or Indicator becomes sufficiently important that it should be reported. Beyond this threshold, not all material topics will be of equal importance and the emphasis within a report should reflect the relative priority of these material topics and Indicators.

In financial reporting, materiality is commonly thought of as a threshold for influencing the economic decisions of those using an organization's financial statements, investors in particular. The concept of a threshold is also important in sustainability reporting, but it is concerned with a wider range of impacts and stakeholders. Materiality for sustainability reporting is not limited only to those sustainability topics that have a significant financial impact on the organization. Determining materiality for a sustainability report also includes considering economic, environmental, and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations.[4] These material issues will often have a significant financial impact in the near-term or long-term on an organization. They will therefore also be relevant for stakeholders who focus strictly on the financial condition of an organization.

A combination of internal and external factors should be used to determine whether information is material, including factors such as the organization's overall mission and competitive strategy, concerns expressed directly by stakeholders, broader social expectations, and the organization's influence on upstream (e.g., supply chain) and downstream (e.g., customers) entities. Assessments of materiality should also take into account the basic expectations expressed in the international standards and agreements with which the organization is expected to comply.

These internal and external factors should be considered when evaluating the importance of information for reflecting significant economic, environmental, and social impacts, or stakeholder decision making.[5] A range of established methodologies can be used to assess the significance of impacts. In general, 'significant impacts' refer to those that are a subject of established concern for expert communities, or that have been identified using established tools such as impact assessment methodologies or life cycle assessments. Impacts that are considered important enough to require active management or engagement by the organization can likely be considered to be significant.

The report should emphasize information on performance regarding the most material topics. Other relevant topics can be included, but should be given less prominence in the report. The process by which the relative priority of topics was determined should be explained.

In addition to guiding the selection of topics to report, the Materiality Principle also applies to the use of Performance Indicators. When disclosing performance data, there are

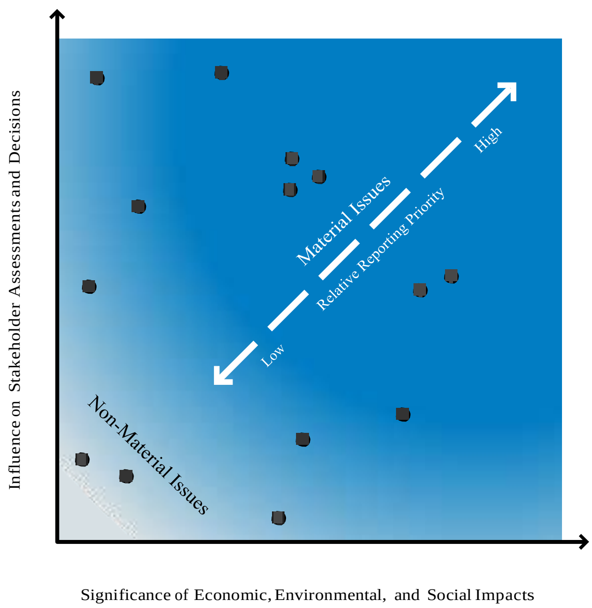

Figure 4: Defining Materiality

[4] World Commission on Environment and Development. Our Common Future. Oxford: Oxford University Press, 1987, p. 43.
[5] See the principle of stakeholder inclusion for a discussion of stakeholders.

varying degrees of comprehensiveness and detail that could be provided in a report. In some cases, GRI guidance exists on the level of detail generally considered appropriate for a specific Indicator. Overall, decisions on how to report data should be guided by the importance of the information for assessing the performance of the organization, and facilitating appropriate comparisons.

Reporting on material topics may involve disclosing information used by external stakeholders that differs from the information used internally for day-to-day management purposes. However, such information does indeed belong in a report, where it can inform assessments or decision-making by stakeholders, or support engagement with stakeholders that can result in actions that would significantly influence performance or address key topics of stakeholder concern.

Tests

External Factors

In defining material topics, take into account external factors, including:

R Main sustainability interests/topics and Indicators raised by stakeholders.

R The main topics and future challenges for the sector reported by peers and competitors.

R Relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the organization and its stakeholders.

R Reasonably estimable sustainability impacts, risks, or opportunities (e.g., global warming, HIV-AIDS, poverty) identified through sound investigation by people with recognized expertise, or by expert bodies with recognized credentials in the field.

Internal Factors

In defining material topics, take into account internal factors, including:

R Key organizational values, policies, strategies, operational management systems, goals, and targets.

R The interests/expectations of stakeholders specifically invested in the success of the organization (e.g., employees, shareholders, and suppliers).

R Significant risks to the organization.

R Critical factors for enabling organizational success.

R The core competencies of the organization and the manner in which they can or could contribute to sustainable development.

Prioritizing

R The report prioritizes material topics and Indicators.

Stakeholder Inclusiveness

Definition: The reporting organization should identify its stakeholders and explain in the report how it has responded to their reasonable expectations and interests.

Explanation: Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization's activities, products, and/or services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organization.

Stakeholders can include those who are invested in the organization (e.g., employees, shareholders, suppliers) as well as those who are external to the organization (e.g., communities).

The reasonable expectations and interests of stakeholders are a key reference point for many decisions in the preparation of a report, such as the scope, boundary, application of Indicators, and assurance approach. However, not all of an organization's stakeholders will use the report. This presents challenges in balancing the specific interests/ expectations of stakeholders who can reasonably be expected to use the report with broader expectations of accountability to all stakeholders.

For some decisions, such as the report scope or boundary of a report, the reasonable expectations and interests of a wide range of stakeholder will need to be considered. There may be, for example, stakeholders who are unable to articulate their views on a report and whose concerns are presented by proxies. There may also be stakeholders who choose not to express views on reports because they rely on different means of communication and engagement. The reasonable expectations and interests of these stakeholders should still be acknowledged in decisions about the content of the report. However, other decisions, such as the level of detail required to be useful to stakeholders, or expectations of different stakeholders about what is required to achieve clarity, may require greater emphasis on those who can reasonably be expected to use the report. It is important to document the processes and approach taken in making these decisions.

Stakeholder engagement processes can serve as tools for understanding the reasonable expectations and interests of stakeholders. Organizations typically initiate different types of stakeholder engagement as part of their regular activities, which can provide useful inputs for decisions on reporting. These may include, for example, stakeholder engagement for the purpose of compliance with internationally-agreed standards, or informing ongoing organizational/ business processes. In addition, stakeholder engagement may also be implemented specifically to inform the report preparation process. Organizations can also use other means such as the media, the scientific community, or collaborative activities with peers and stakeholders. These means can help the organization better understand stakeholders' reasonable expectations and interests.

For a report to be assurable, the process of stakeholder engagement should be documented. When stakeholder engagement processes are used for reporting purposes, they should be based on systematic or generally-accepted approaches, methodologies, or principles. The overall approach should be sufficiently effective to ensure that stakeholders' information needs are properly understood. The reporting organization should document its approach for defining which stakeholders it engaged with, how and when it engaged with them, and how engagement has influenced the report content and the organization's sustainability activities. These processes should be capable of identifying direct input from stakeholders as well as legitimately established societal expectations. An organization may encounter conflicting views or differing expectations among its stakeholders, and will need to be able to explain how it balanced these in reaching its reporting decisions.

Failure to identify and engage with stakeholders is likely to result in reports that are not suitable, and therefore not fully credible, to all stakeholders. In contrast, systematic stakeholder engagement enhances stakeholder receptivity and the usefulness of the report. Executed properly, it is likely to result in ongoing learning within the organization and by external parties, as well as increase accountability to a range of stakeholders. Accountability strengthens trust between the reporting organization and its stakeholders. Trust, in turn, fortifies report credibility.

Tests:

R The organization can describe the stakeholders to whom it considers itself accountable.

R The report content draws upon the outcomes of stakeholder engagement processes used by the organization in its ongoing activities, and as required by the legal and institutional framework in which it operates.

R The report content draws upon the outcomes of any stakeholder engagement processes undertaken specifically for the report.

R The stakeholder engagement processes that inform decisions about the report are consistent with the scope and boundary of the report.

SuStainability context

Definition: The report should present the organization's performance in the wider context of sustainability.

Explanation: Information on performance should be placed in context. The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental, and social conditions, developments, and trends at the local, regional, or global level. Reporting only on trends in individual performance (or the efficiency of the organization) will fail to respond to this underlying question. Reports should therefore seek to present performance in relation to broader concepts of sustainability. This will involve discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sectoral, local, regional, or global level. For example, this could mean that in addition to reporting on trends in eco-efficiency, an organization might also present its absolute pollution loading in relation to the capacity of the regional ecosystem to absorb the pollutant.

This concept is often most clearly articulated in the environmental arena in terms of global limits on resource use and pollution levels. However, it can also be relevant with respect to social and economic objectives such as national or international socio-economic and sustainable development goals. For example, an organization could report on employee wages and social benefit levels in relation to nation-wide minimum and median income levels and the capacity of social safety nets to absorb those in poverty or those living close to the poverty line. Organizations operating in a diverse range of locations, sizes, and sectors will need to consider how to best frame their overall organizational performance in the broader context of sustainability. This may require distinguishing between topics or factors that drive global impacts (such as climate change) and those that have more regional or local impacts (such as community development). Similarly, distinctions might need to be made between trends or patterns of impacts across the range of operations versus contextualizing performance location by location.

The organization's own sustainability and business strategy provides the context in which to discuss performance. The relationship between sustainability and organizational strategy should be made clear, as should the context within which performance is reported.

Tests:

- The organization presents its understanding of sustainable development and draws on objective and available information as well as measures of sustainable development for the topics covered in the report.
- The organization presents its performance with reference to broader sustainable development conditions and goals, as reflected in recognized sectoral, local, regional, and/or global publications.
- The organization presents its performance in a manner that attempts to communicate the magnitude of its impact and contribution in appropriate geographical contexts.
- The report describes how sustainability topics relate to long-term organizational strategy, risks, and opportunities, including supply-chain topics.

COMPLETENESS

Definition: Coverage of the material topics and Indicators and definition of the report boundary should be sufficient to reflect significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization's performance in the reporting period.

Explanation: Completeness primarily encompasses the dimensions of scope, boundary, and time. The concept of completeness can also be used to refer to practices in information collection (for example, ensuring that compiled data includes results from all sites within the Report Boundary) and whether the presentation of information is reasonable and appropriate. These topics are related to report quality, and are addressed in greater detail under the Principles of accuracy and balance later in Part 1.

Scope refers to the range of sustainability topics covered in a report. The sum of the topics and Indicators reported should be sufficient to reflect significant economic, environmental, and social impacts. It should also enable stakeholders to assess the organization's performance. In determining whether the information in the report is sufficient, the organization should consider both the results of stakeholder engagement processes and broad-based societal expectations that may not have surfaced directly through stakeholder engagement processes.

'Boundary' refers to the range of entities (e.g., subsidiaries, joint ventures, sub-contractors, etc.) whose performance is represented by the report. In setting the boundary for its report, an organization must consider the range of entities over which it exercises control (often referred to as the 'organizational boundary', and usually linked to definitions used in financial reporting) and over which it exercises influence (often called the 'operational boundary'). In assessing influence, the organization will need to consider its ability to influence entities upstream (e.g., in its supply chain) as well as entities downstream (e.g., distributors and users of its products and services). The boundary may vary based on the specific Aspect or type of information being reported.

'Time' refers to the need for the selected information to be complete for the time period specified by the report. As far as practicable, activities, events, and impacts should be presented for the reporting period in which they occur. This includes reporting on activities that produce minimal short-term impact, but which have a significant and reasonably foreseeable cumulative effect that may become unavoidable or irreversible in the longer term (e.g., bio-accumulative or persistent pollutants). In making estimates of future impacts (both positive and negative), the reported information should be based on well-reasoned estimates that reflect the likely size, nature, and scope of impacts. Although such estimates are by nature subject to uncertainty, they can provide useful information for decision-making as long as the basis for estimates is clearly disclosed and the limitations of the estimates are clearly acknowledged. Disclosing the nature and likelihood of such impacts, even if they may only materialize in the future, is consistent with the goal of providing a balanced and reasonable representation of the organization's economic, environmental, and social performance.

Tests:

R The report was developed taking into account the entire chain of entities upstream and downstream, and covers and prioritizes all information that should reasonably be considered material on the basis of the principles of materiality, sustainability context, and stakeholder inclusiveness.

R The report includes all entities that meet the criteria of being subject to control or significant influence of the reporting organization unless otherwise declared.

R The information in the report includes all significant actions or events in the reporting period, and reasonable estimates of significant future impacts of past events when those impacts are reasonably foreseeable and may become unavoidable or irreversible.

R The report does not omit relevant information that would influence or inform stakeholder assessments or decisions, or that would reflect significant economic, environmental, and social impacts.

1.2 Reporting Principles for Defining Quality

This section contains Principles that guide choices on ensuring the quality of reported information, including its proper presentation. Decisions related to the process of preparing information in a report should be consistent with these Principles. All of these Principles are fundamental for effective transparency. The quality of information enables stakeholders to make sound and reasonable assessments of performance, and take appropriate action.

Reporting Principles for Defining Quality

balance

Definition: The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance.

Explanation: The overall presentation of the report's content should provide an unbiased picture of the reporting organization's performance. The report should avoid selections, omissions, or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgment by the report reader. The report should include both favorable and unfavorable results, as well as topics that can influence the decisions of stakeholders in proportion to their materiality. Reports should clearly distinguish between factual presentation and the reporting organization's interpretation of information.

Tests:

R The report discloses both favorable and unfavorable results and topics.

R The information in the report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis.

R The emphasis on the various topics in the report is proportionate to their relative materiality.

coMparability

Definition: Issues and information should be selected, compiled, and reported consistently. Reported information should be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and could support analysis relative to other organizations.

Explanation: Comparability is necessary for evaluating performance. Stakeholders using the report should be able to compare information reported on economic, environmental, and social performance against the organization's past performance, its objectives, and, to the degree possible, against the performance of other organizations. Consistency in reporting allows internal and external parties to benchmark performance and assess progress as part of rating activities, investment decisions, advocacy programs, and other activities. Comparisons between organizations require sensitivity to factors such as differences in organizational size, geographic influences, and other considerations that may affect the relative performance of an organization. Where necessary, report preparers should consider providing context that will help report users understand the factors that may contribute to differences in performance between organizations.

Maintaining consistency with the methods used to calculate data, with the layout of the report, and with explaining the methods and assumptions used to prepare information, all facilitates comparability over time. As the relative importance of topics to a given organization and its stakeholders change over time, the content of reports will also evolve. However, within the confines of the Principle of Materiality, organizations should aim for consistency in their reports over time. An organization should include total numbers (i.e., absolute data such as tons of waste) as well as ratios (i.e., normalized data such as waste per unit of production) to enable analytical comparisons.

When changes occur with the boundary, scope, length of the reporting period, or content (including the design, definitions, and use of any Indicators in the report), reporting organizations should, whenever practicable, restate current disclosures alongside historical data (or vice versa). This ensures that information and comparisons are both reliable and meaningful over time. Where such restatements are not provided, the report should explain the reasons and implications for interpreting current disclosures.

Tests:

R The report and the information contained within it can be compared on a year-to-year basis.

R The organization's performance can be compared with appropriate benchmarks.

R Any significant variation between reporting periods in the boundary, scope, length of reporting period, or information covered in the report can be identified and explained.

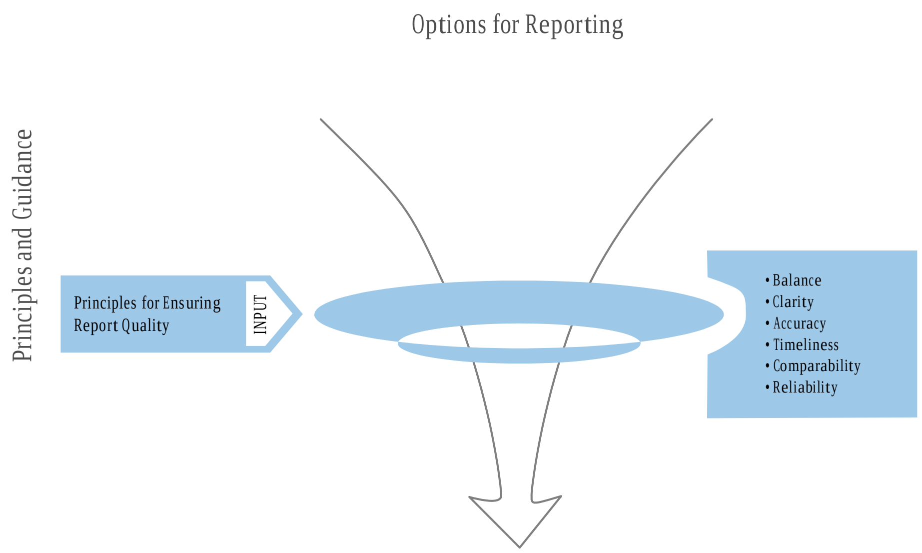

Figure 5: Principles for Ensuring Report Quality

R Where they are available, the report utilizes generally accepted protocols for compiling, measuring, and presenting information, including the GRI Technical Protocols for Indicators contained in the Guidelines.

R The report uses GRI Sector Supplements, where available.

accuracy

Definition: The reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.

Explanation: Responses to economic, environmental, and social topics and Indicators can be expressed in many different ways, ranging from qualitative responses to detailed quantitative measurements. The characteristics that determine accuracy vary according to the nature of the information and the user of the information. For example, the accuracy of qualitative information is largely determined by the degree of clarity, detail, and balance in presentation within the appropriate Report Boundary. The accuracy of quantitative information, on the other hand, may depend on the specific methods used to gather, compile, and analyze data. The specific threshold of accuracy that is necessary will depend partly on the intended use of the information. Certain decisions will require higher levels of accuracy in reported information than others.

Tests:

R The report indicates the data that has been measured.

R The data measurement techniques and bases for calculations are adequately described, and can be replicated with similar results.

R The margin of error for quantitative data is not sufficient to substantially influence the ability of stakeholders to reach appropriate and informed conclusions on performance.

R The report indicates which data has been estimated and the underlying assumptions and techniques used to produce the estimates, or where that information can be found.

R The qualitative statements in the report are valid on the basis of other reported information and other available evidence.

Timeliness

Definition: Reporting occurs on a regular schedule and information is available in time for stakeholders to make informed decisions.

Explanation: The usefulness of information is closely tied to whether the timing of its disclosure to stakeholders enables them to effectively integrate it into their decision-making. The timing of release refers both to the regularity of reporting as well as its proximity to the actual events described in the report.

Although a constant flow of information is desirable for meeting certain purposes, reporting organizations should commit to regularly providing a consolidated disclosure of their economic, environmental, and social performance at a single point in time. Consistency in the frequency of reporting and the length of reporting periods is also necessary to ensure comparability of information over time and accessibility of the report to stakeholders. It can be of value for stakeholders if the schedules for sustainability reporting and financial reporting are aligned. The organization should balance the need to provide information in a timely manner with the importance of ensuring that the information is reliable.

Tests:

R Information in the report has been disclosed while it is recent relative to the reporting period.

R The collection and publication of key performance information is aligned with the sustainability reporting schedule.

R The information in the report (including web-based reports) clearly indicates the time period to which it relates, when it will be updated, and when the last updates were made.

Clarity

Definition: Information should be made available in a manner that is understandable and accessible to stakeholders using the report.

Explanation: The report should present information in a way that is understandable, accessible, and usable by the organization's range of stakeholders (whether in print form or through other channels). A stakeholder should be able to find desired information without unreasonable effort. Information should be presented in a manner that is comprehensible to stakeholders who have a reasonable understanding of the organization and its activities. Graphics and consolidated data tables can help make the information in the report accessible and understandable. The level of aggregation of information can also affect the clarity of a report if it is either significantly more or less detailed than stakeholders expect.

Tests:

R The report contains the level of information required by stakeholders, but avoids excessive and unnecessary detail.

R Stakeholders can find the specific information they want without unreasonable effort through tables of contents, maps, links, or other aids.

R The report avoids technical terms, acronyms, jargon, or other content likely to be unfamiliar to stakeholders, and should include explanations (where necessary) in the relevant section or in a glossary.

R The data and information in the report is available to stakeholders, including those with particular accessibility needs (e.g., differing abilities, language, or technology).

reliability

Definition: Information and processes used in the preparation of a report should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information.

Explanation: Stakeholders should have confidence that a report could be checked to establish the veracity of its contents and the extent to which it has appropriately applied Reporting Principles. The information and data included in a report should be supported by internal controls or documentation that could be reviewed by individuals other than those who prepared the report. Disclosures about performance that are not substantiated by evidence should not appear in a sustainability report unless they represent material information, and the report provides unambiguous explanations of any uncertainties associated with the information. The decision-making processes underlying a report should be documented in a manner that allows the basis of key decisions (such as processes for determining the report content and boundary or stakeholder engagement) to be examined. In designing information systems, reporting organizations should anticipate that the systems could be examined as part of an external assurance process.

Tests:

R The scope and extent of external assurance is identified.

R The original source of the information in the report can be identified by the organization.

R Reliable evidence to support assumptions or complex calculations can be identified by the organization.

R Representation is available from the original data or information owners, attesting to its accuracy within acceptable margins of error.

1.3 Reporting Guidance for Boundary Setting[6]

In parallel with defining the content of a report, an organization must determine which entities' (e.g., subsidiaries and joint ventures) performance will be represented by the report. The Sustainability Report Boundary should include the entities over which the reporting organization exercises control or significant influence both in and through its relationships with various entities upstream (e.g., supply chain) and downstream (e.g., distribution and customers).

For the purpose of setting boundaries, the following definitions should apply[7]:

- Control: the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

- Significant influence: the power to participate in the financial and operating policy decisions of the entity but not the power to control those policies.

The guidance below on setting the Report Boundary pertains to the report as a whole as well as setting the boundary for individual Performance Indicators.

Not all entities within the Report Boundary must be reported on in the same manner. The approach to reporting on an entity will depend on a combination of the reporting organization's control or influence over the entity, and whether the disclosure relates to operational performance, management performance, or narrative/descriptive information.

The Report Boundary guidance is based on the recognition that different relationships involve differing degrees of access to information and the ability to affect outcomes. For example, operational information such as emissions data can be reliably compiled from entities under the control of an organization, but may not be available for a joint venture or a supplier. The Report Boundary guidance below sets minimum expectations for the inclusion of entities upstream and downstream when reporting on Indicators and management disclosures. However, an organization may determine that it is necessary to extend the boundary for an Indicator(s) to include entities upstream or downstream.

[6] The guidance on Report Boundary has been derived from the Boundary Protocol. Future updates to the Guidelines will incorporate any further lessons or guidance developed from experience with the Reporting Boundary Protocol.

[7] Further discussion of these terms can be found in the Boundary Protocol.

Determining the significance of an entity when collecting information or considering the extension of a boundary depends on the scale of its sustainability impacts. Entities with significant impacts typically generate the greatest risk or opportunity for an organization and its stakeholders, and therefore are the entities for which the organization is most likely to be perceived as being accountable or responsible.

Reporting Guidance for Boundary Setting

- A sustainability report should include in its boundary all entities that generate significant sustainability impacts (actual and potential) and/or all entities over which the reporting organization exercises control or significant influence with regard to financial and operating policies and practices.
- These entities can be included using either Indicators of operational performance, Indicators of management performance, or narrative descriptions.
- At a minimum, the reporting organization should include the following entities in its report using these approaches:
  - Entities over which the organization exercises control should be covered by Indicators of Operational Performance; and
  - Entities over which the organization exercises significant influence should be covered by Disclosures on Management Approach.

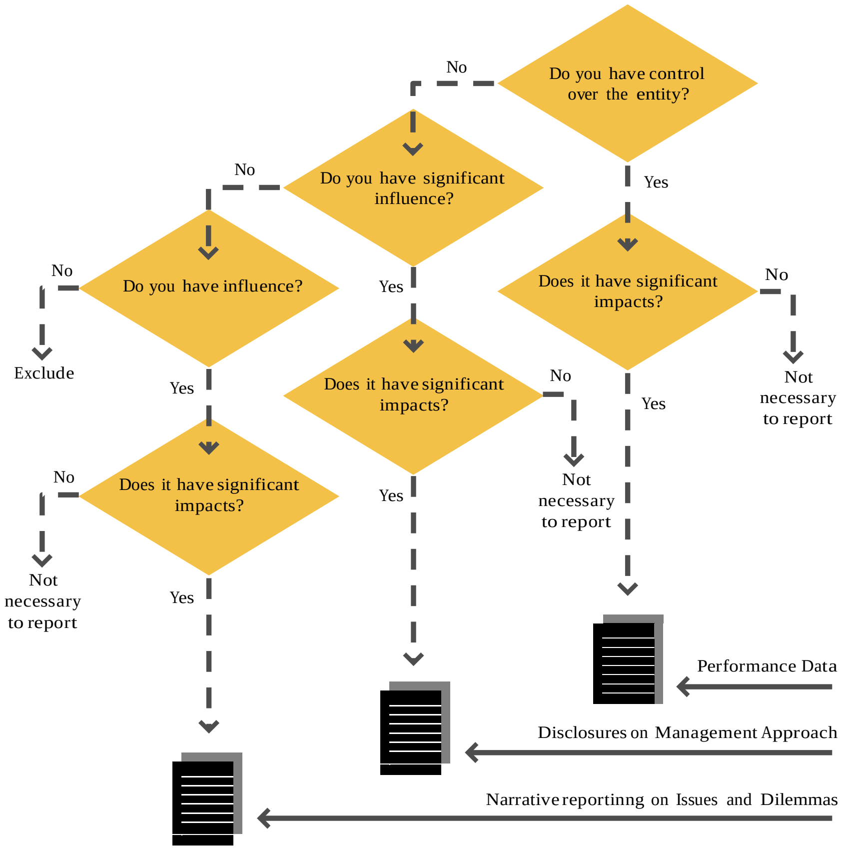

Figure 6: Decision Tree for Boundary Setting

- The boundaries for narrative disclosures should include entities over which the organization does not exercise control/significant influence, but which are associated with key challenges for the organization because their impacts are significant
- The report should cover all entities within its Report Boundary. In the process of preparing its report, an organization may choose not to gather data on a particular entity or group of entities within the defined boundary on the basis of efficiency as long as such a decision does not substantively change the final result of a Disclosure or Indicator.

Part 2: Standard Disclosures

This section specifies the base content that should appear in a sustainability report, subject to the guidance on determining content in Part 1 of the Guidelines.

There are three different types of disclosures contained in this section.

- **Strategy and Profile:** Disclosures that set the overall context for understanding organizational performance such as its strategy, profile, and governance.
- **Management Approach:** Disclosures that cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.
- **Performance Indicators:** Indicators that elicit comparable information on the economic, environmental, and social performance of the organization.

Reporting organizations are encouraged to follow this structure in compiling their reports, however, other formats may be chosen.

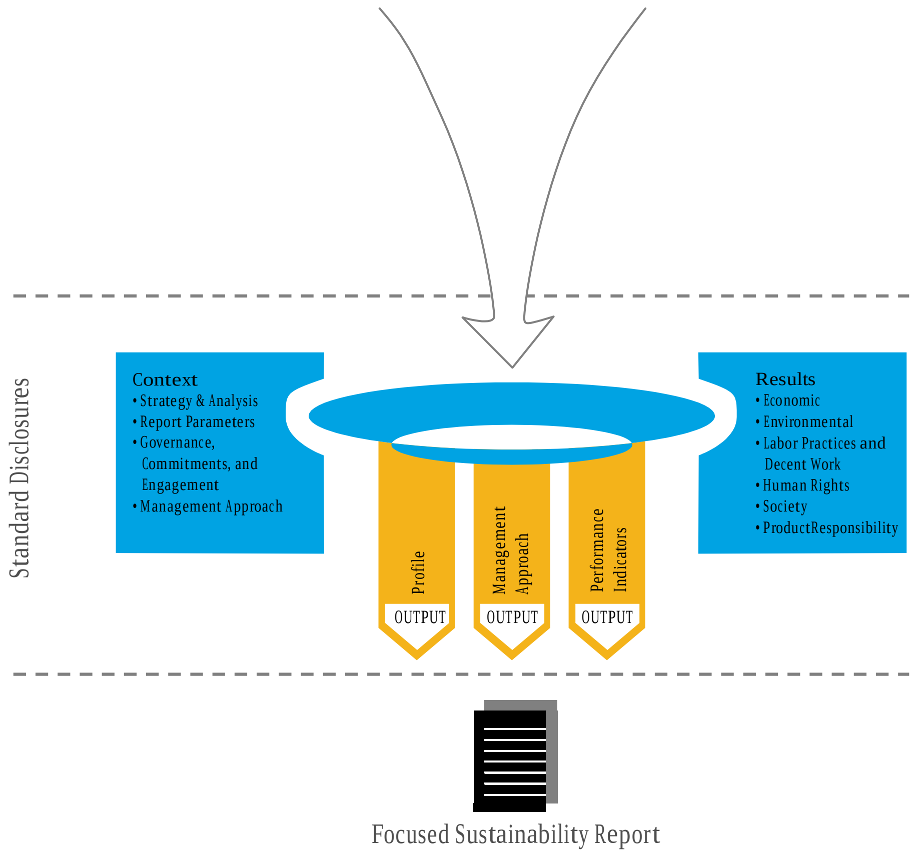

Figure 7: Overview of GRI Standard Disclosures

Profile

1. Strategy and Analysis

This section is intended to provide a high-level, strategic view of the organization's relationship to sustainability in order to provide context for subsequent and more detailed reporting against other sections of the Guidelines. It may draw on information provided in other parts of the report, but this section is intended to produce insight on strategic topics rather than simply summarize the contents of the report. The strategy and analysis should consist of the statement outlined in 1.1 and a concise narrative outlined in 1.2.

1.1 Statement from the most senior decision- maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.

The statement should present the overall vision and strategy for the short-term, medium-term (e.g., 3-5 years), and long-term, particularly with regard to managing the key challenges associated with economic, environmental, and social performance. The statement should include:

- Strategic priorities and key topics for the short/ medium-term with regard to sustainability, including respect for internationally agreed standards and how they relate to long-term organizational strategy and success;
- Broader trends (e.g., macroeconomic or political) affecting the organization and influencing sustainability priorities;
- Key events, achievements, and failures during the reporting period;
- Views on performance with respect to targets;
- Outlook on the organization's main challenges and targets for the next year and goals for the coming 3-5 years; and
- Other items pertaining to the organization's strategic approach.

1.2 Description of key impacts, risks, and opportunities.

The reporting organization should provide two concise narrative sections on key impacts, risks, and opportunities.

Section One should focus on the organization's key impacts on sustainability and effects on stakeholders, including rights as defined by national laws and relevant internationally agreed standards. This should take into account the range of reasonable expectations and interests of the organization's stakeholders. This section should include:

- A description of the significant impacts the organization has on sustainability and associated challenges and opportunities. This includes the effect on stakeholders' rights as defined by national laws and the expectations in internationally-agreed standards and norms;
- An explanation of the approach to prioritizing these challenges and opportunities;
- Key conclusions about progress in addressing these topics and related performance in the reporting period. This includes an assessment of reasons for underperformance or over-performance; and
- A description of the main processes in place to address performance and/or relevant changes.

Section Two should focus on the impact of sustainability trends, risks, and opportunities on the long-term prospects and financial performance of the organization. This should concentrate specifically on information relevant to financial stakeholders or that could become so in the future. Section Two should include the following:

- A description of the most important risks and opportunities for the organization arising from sustainability trends;
- Prioritization of key sustainability topics as risks and opportunities according to their relevance for long-term organizational strategy, competitive position, qualitative, and (if possible) quantitative financial value drivers;

- Table(s) summarizing:
  - Targets, performance against targets, and lessons-learned for the current reporting period; and
  - Targets for the next reporting period and mid-term objectives and goals (i.e., 3-5 years) related to key risks and opportunities.
- Concise description of governance mechanisms in place to specifically manage these risks and opportunities, and identification of other related risks and opportunities.

2. Organizational Profile

2.1 Name of the organization.

2.2 Primary brands, products, and/or services.

The reporting organization should indicate the nature of its role in providing these products and services, and the degree to which it utilizes outsourcing.

2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.

2.4 Location of organization's headquarters.

2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.

2.6 Nature of ownership and legal form.

2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).

2.8 Scale of the reporting organization, including:

- Number of employees;
- Net sales (for private sector organizations) or net revenues (for public sector organizations);
- Total capitalization broken down in terms of debt and equity (for private sector organizations); and
- Quantity of products or services provided.

In addition to the above, reporting organizations are encouraged to provide additional information, as appropriate, such as:

- *Total assets;*
- *Beneficial ownership (including identity and percentage of ownership of largest shareholders); and*
- *Breakdowns by country/region of the following:*
  - *Sales/revenues by countries/regions that make up 5 percent or more of total revenues;*
  - *Costs by countries/regions that make up 5 percent or more of total revenues; and*
  - *Employees.*

2.9 Significant changes during the reporting period regarding size, structure, or ownership including:

- The location of, or changes in operations, including facility openings, closings, and expansions; and
- Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).

2.10 Awards received in the reporting period.

3. Report Parameters

report profile

3.1 Reporting period (e.g., fiscal/calendar year) for information provided.

3.2 Date of most recent previous report (if any).

3.3 Reporting cycle (annual, biennial, etc.)

3.4 Contact point for questions regarding the report or its contents.

report Scope and boundary

3.5 Process for defining report content, including:

- Determining materiality;
- Prioritizing topics within the report; and

- Identifying stakeholders the organization expects to use the report.

Include an explanation of how the organization has applied the 'Guidance on Defining Report Content' and the associated Principles.

3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.

3.7 State any specific limitations on the scope or boundary of the report[8].

If boundary and scope do not address the full range of material economic, environmental, and social impacts of the organization, state the strategy and projected timeline for providing complete coverage.

3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.

3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.

Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.

3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).

3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.

GRI Content Index

3.12 Table identifying the location of the Standard Disclosures in the report.

Identify the page numbers or web links where the following can be found:

- Strategy and Analysis 1.1 – 1.2;
- Organizational Profile 2.1 – 2.10;
- Report Parameters 3.1 – 3.13;
- Governance, Commitments, and Engagement 4.1 – 4.17;
- Disclosure of Management Approach, per category;
- Core Performance Indicators;
- Any GRI Additional Indicators that were included; and
- Any GRI Sector Supplement Indicators included in the report.

Assurance

3.13 Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).

4. Governance, Commitments, and Engagement

Governance

4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.

Describe the mandate and composition (including number of independent members and/or non-executive members) of such committees and indicate any direct responsibility for economic, social, and environmental performance.

4.2 Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).

4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.

State how the organization defines 'independent' and 'non-executive'. This element applies only for organizations that have unitary board structures. See the glossary for a definition of 'independent'.

8 See completeness Principle for explanation of scope.

4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.

Include reference to processes regarding:

- The use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and

- Informing and consulting employees about the working relationships with formal representation bodies such as organization level 'work councils', and representation of employees in the highest governance body.

Identify topics related to economic, environmental, and social performance raised through these mechanisms during the reporting period.

4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).

4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.

4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.

4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.

Explain the degree to which these:

- Are applied across the organization in different regions and department/units; and

- Relate to internationally agreed standards.

4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.

Include frequency with which the highest governance body assesses sustainability performance.

4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.

Commitments to External Initiatives

4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization.

Article 15 of the Rio Principles introduced the precautionary approach. A response to 4.11 could address the organization's approach to risk management in operational planning or the development and introduction of new products.

4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.

Include date of adoption, countries/operations where applied, and the range of stakeholders involved in the development and governance of these initiatives (e.g., multi-stakeholder, etc.). Differentiate between non-binding, voluntary initiatives and those with which the organization has an obligation to comply.

4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization:

- Has positions in governance bodies;

- Participates in projects or committees;

- Provides substantive funding beyond routine membership dues; or

- Views membership as strategic.

This refers primarily to memberships maintained at the organizational level.

Stakeholder Engagement

The following Disclosure Items refer to general stakeholder engagement conducted by the organization over the course of the reporting period. These Disclosures are not limited to stakeholder engagement implemented for the purposes of preparing a sustainability report.

4.14 List of stakeholder groups engaged by the organization.

Examples of stakeholder groups are:

- Communities;
- Civil society;
- Customers;
- Shareholders and providers of capital;
- Suppliers; and
- Employees, other workers, and their trade unions.

4.15 Basis for identification and selection of stakeholders with whom to engage.

This includes the organization's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage.

4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.

This could include surveys, focus groups, community panels, corporate advisory panels, written communication, management/union structures, and other vehicles. The organization should indicate whether any of the engagement was undertaken specifically as part of the report preparation process.

4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.

5. Management Approach and Performance Indicators

The section on sustainability Performance Indicators is organized by economic, environmental, and social categories. Social Indicators are further categorized by Labor, Human Rights, Society, and Product Responsibility. Each category includes a Disclosure on Management Approach ('Management Approach') and a corresponding set of Core and Additional Performance Indicators.

Core Indicators have been developed through GRI's multi-stakeholder processes, which are intended to identify generally applicable Indicators and are assumed to be material for most organizations. An organization should report on Core Indicators unless they are deemed not material on the basis of the GRI Reporting Principles. Additional Indicators represent emerging practice or address topics that may be material for some organizations, but are not material for others. Where final versions of Sector Supplements exist, the Indicators should be treated as Core Indicators. See Guidance on Defining Report Content for further details.

The Disclosure(s) on Management Approach should provide a brief overview of the organization's management approach to the Aspects defined under each Indicator Category in order to set the context for performance information. The organization can structure its Disclosure(s) on Management Approach to cover the full range of Aspects under a given Category or group its responses on the Aspects differently. However, the Disclosure should address all of the Aspects associated with each category regardless of the format or grouping.

Within the overall structure of the Standard Disclosures, Strategy and Profile items 1.1 and 1.2 in 'Strategy and Analysis' are intended to provide a concise overview of the risks and opportunities facing the organization as a whole. The Disclosure(s) on Management Approach is intended to address the next level of detail of the organization's approach to managing the sustainability topics associated with risks and opportunities.

In reporting on the Performance Indicators, the following guidance on data compilation applies:

- **Reporting on Trends:** Information should be presented for the current reporting period (e.g., one year) and at least two previous periods, as well as future targets, where they have been established, for the short- and medium-term.

- **Use of Protocols:** Organizations should use the Protocols that accompany the Indicators when reporting on the Indicators. These give basic guidance on interpreting and compiling information.

- **Presentation of Data:** In some cases, ratios or normalized data are useful and appropriate formats for data presentation. If ratios or normalized data are used, absolute data should also be provided.

- **Data aggregation:** Reporting organizations should determine the appropriate level of aggregation of information. See additional guidance in the General Reporting Notes section of the Guidelines.

- **Metrics:** Reported data should be presented using generally accepted international metrics (e.g., kilograms, tonnes, litres) and calculated using standard conversion factors. Where specific international conventions exist (e.g., GHG equivalents), these are typically specified in the Indicator Protocols.

Economic

The economic dimension of sustainability concerns the organization's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. The Economic Indicators illustrate:

- Flow of capital among different stakeholders; and

- Main economic impacts of the organization throughout society.

Financial performance is fundamental to understanding an organization and its own sustainability. However, this information is normally already reported in financial accounts. What is often reported less, and is frequently desired by users of sustainability reports, is the organization's contribution to the sustainability of a larger economic system.

Disclosure on Management Approach

Provide a concise disclosure on the Management Approach items outlined below with reference to the following Economic Aspects:

- Economic Performance;

- Market Presence; and

- Indirect Economic Impacts.

Goals and performance

Organization-wide goals regarding performance relevant to the Economic Aspects.

Use organization-specific Indicators (as needed) in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.

policy

Brief, organization-wide policy (or policies) that defines the organization's overall commitment relating to the Economic Aspects listed above, or state where this can be found in the public domain (e.g., web link).

additional contextual information

Additional relevant information required to understand organizational performance, such as:

- Key successes and shortcomings;

- Major organizational risks and opportunities;

- Major changes in the reporting period to systems or structures to improve performance; and
- Key strategies for implementing policies or achieving performance.

Economic Performance Indicators

Aspect: Economic Performance

CORE	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
CORE	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.
CORE	EC3	Coverage of the organization's defined benefit plan obligations.
CORE	EC4	Significant financial assistance received from government.

Aspect: Market Presence

ADD	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.
CORE	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
CORE	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.

Aspect: Indirect Economic Impacts

CORE	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.
ADD	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.

Environmental

The environmental dimension of sustainability concerns an organization's impacts on living and non-living natural systems, including ecosystems, land, air, and water. Environmental Indicators cover performance related to inputs (e.g., material, energy, water) and outputs (e.g., emissions, effluents, waste). In addition, they cover performance related to biodiversity, environmental compliance, and other relevant information such as environmental expenditure and the impacts of products and services.

Disclosure on Management Approach

Provide a concise disclosure on the Management Approach items outlined below with reference to the following Environmental Aspects:

- Materials;
- Energy;
- Water;
- Biodiversity;
- Emissions, Effluents, and Waste;
- Products and Services;
- Compliance;
- Transport; and
- Overall

Goals and performance

Organization-wide goals regarding performance relevant to the Environment Aspects.

Use organization-specific Indicators (as needed) in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.

Policy

Brief, organization-wide policy (or policies) that defines the organization's overall commitment related to the Environmental Aspects listed above or state where this can be found in the public domain (e.g., web link).

Organizational responsibility

The most senior position with operational responsibility for Environmental Aspects or explain how operational responsibility is divided at the senior level for these Aspects. This differs from Disclosure 4.1, which focuses on structures at the governance level.

Training and awareness

Procedures related to training and raising awareness in relation to the Environmental Aspects.

Monitoring and follow-up

Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain.

List of certifications for environment-related performance or certification systems, or other approaches to auditing/verification for the reporting organization or its supply chain.

Additional contextual information

Additional relevant information required to understand organizational performance, such as:

- Key successes and shortcomings;
- Major organizational environmental risks and opportunities related to issues;
- Major changes in the reporting period to systems or structures to improve performance; and
- Key strategies and procedures for implementing policies or achieving goals.

Environmental Performance Indicators

Aspect: Materials

CORE **EN1** Materials used by weight or volume.

CORE **EN2** Percentage of materials used that are recycled input materials.

Aspect: Energy

CORE **EN3** Direct energy consumption by primary energy source.

CORE **EN4** Indirect energy consumption by primary source.

ADD **EN5** Energy saved due to conservation and efficiency improvements.

ADD **EN6** Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.

ADD **EN7** Initiatives to reduce indirect energy consumption and reductions achieved.

Aspect: Water

CORE **EN8** Total water withdrawal by source.

ADD **EN9** Water sources significantly affected by withdrawal of water.

ADD **EN10** Percentage and total volume of water recycled and reused.

Aspect: Biodiversity

CORE **EN11** Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

CORE **EN12** Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

ADD **EN13** Habitats protected or restored.

ADD **EN14** Strategies, current actions, and future plans for managing impacts on biodiversity.

ADD **EN15** Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

Aspect: Emissions, Effluents, and Waste

CORE **EN16** Total direct and indirect greenhouse gas emissions by weight.

CORE **EN17** Other relevant indirect greenhouse gas emissions by weight.

ADD **EN18** Initiatives to reduce greenhouse gas emissions and reductions achieved.

CORE **EN19** Emissions of ozone-depleting substances by weight.

CORE **EN20** NO, SO, and other significant air emissions by type and weight.

CORE **EN21** Total water discharge by quality and destination.

CORE **EN22** Total weight of waste by type and disposal method.

CORE **EN23** Total number and volume of significant spills.

ADD **EN24** Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.

ADD **EN25** Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.

aSpect: productS and ServiceS

CORE **EN26** Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

CORE **EN27** Percentage of products sold and their packaging materials that are reclaimed by category.

ASPECT: COMPLIAnCE

CORE **EN28** Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

ASPECT: TRAnSPORT

ADD **EN29** Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

ASPECT: OVERALL

ADD **EN30** Total environmental protection expenditures and investments by type.

Social Performance Indicators

The social dimension of sustainability concerns the impacts an organization has on the social systems within which it operates.

The GRI Social Performance Indicators identify key Performance Aspects surrounding labor practices, human rights, society, and product responsibility.

Labor Practices and Decent Work

The specific Aspects under the category of Labor Practices are based on internationally recognized universal standards, including:

- United Nations Universal Declaration of Human Rights and its Protocols;
- United Nations Convention: International Covenant on Civil and Political Rights;
- United Nations Convention: International Covenant on Economic, Social, and Cultural Rights;
- ILO Declaration on Fundamental Principles and Rights at Work of 1998 (in particular the eight core conventions of the ILO); and
- The Vienna Declaration and Programme of Action.

The Labor Practices Indicators also draw upon the two instruments directly addressing the social responsibilities of business enterprises: the ILO Tripartite Declaration Concerning Multinational Enterprises and Social Policy, and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Disclosure on Management Approach

Provide a concise disclosure on the following Management Approach items with reference to the Labor Aspects listed below. The ILO Tripartite Declaration Concerning Multinational Enterprises and Social Policy (in particular the eight core conventions of the ILO) and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises, should be the primary reference points.

- Employment;
- Labor/Management Relations;
- Occupational Health and Safety;
- Training and Education; and
- Diversity and Equal Opportunity.

Goals and Performance

Organization–wide goals regarding performance relevant to the Labor Aspects, indicating their linkage to the internationally recognized universal standards.

Use organization-specific Indicators (as needed) in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.

Policy

Brief, organization-wide policy (or policies) that defines the organization's overall commitment related to the Labor Aspects, or state where this can be found in the public domain (e.g., web link). Also reference their linkage to the international standards indicated above.

Organizational Responsibility

The most senior position with operational responsibility for Labor Aspects or explain how operational responsibility is divided at the senior level for these Aspects. This differs from Disclosure 4.1, which focuses on structures at the governance level.

Training and Awareness

Procedures related to training and raising awareness in relation to the Labor Aspects.

Monitoring and Follow-up

Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain.

List of certifications for labor-related performance or certification systems, or other approaches to auditing/verifying the reporting organization or its supply chain.

Additional Contextual Information

Additional relevant information required to understand organizational performance, such as:

- Key successes and shortcomings;
- Major organizational risks and opportunities;
- Major changes in the reporting period to systems or structures to improve performance; and
- Key strategies and procedures for implementing policies or achieving goals.

Labor Practices and Decent Work Performance Indicators

Aspect: Employment

CORE **LA1** Total workforce by employment type, employment contract, and region.

CORE **LA2** Total number and rate of employee turnover by age group, gender, and region.

ADD **LA3** Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.

Aspect: Labor/Management Relations

CORE **LA4** Percentage of employees covered by collective bargaining agreements.

CORE **LA5** Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.

Aspect: Occupational Health and Safety

ADD **LA6** Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.

CORE **LA7** Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.

CORE **LA8** Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.

ADD **LA9** Health and safety topics covered in formal agreements with trade unions.

Aspect: Training and Education

CORE **LA10** Average hours of training per year per employee by employee category.

ADD **LA11** Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.

ADD **LA12** Percentage of employees receiving regular performance and career development reviews.

Aspect: Diversity and Equal Opportunity

CORE **LA13** Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.

CORE **LA14** Ratio of basic salary of men to women by employee category.

Human Rights

Human Rights Performance Indicators require organizations to report on the extent to which human rights are considered in investment and supplier/contractor selection practices. Additionally, the Indicators cover employee and security forces training on human rights as well as non-discrimination, freedom of association, child labor, indigenous rights, and forced and compulsory labor.

Generally recognized human rights are defined by the following Conventions and Declarations:

- United Nations Universal Declaration of Human Rights and its Protocols;
- United Nations Convention: International Covenant on Civil and Political Rights;
- United Nations Convention: International Covenant on Economic, Social, and Cultural Rights;
- ILO Declaration on Fundamental Principles and Rights at Work of 1998 (in particular the eight core conventions of the ILO); and
- The Vienna Declaration and Programme of Action.

Disclosure on Management Approach

Provide a concise disclosure on the following Management Approach items with reference to the Human Rights Aspects listed below. The ILO Tripartite Declaration Concerning Multinational Enterprises and Social Policy (in particular the eight core conventions of the ILO which consist of Conventions 100, 111, 87, 98, 138, 182, 20 and 105[9]), and the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises should be the primary reference points.

- Investment and Procurement Practices;
- Non-discrimination;
- Freedom of Association and Collective Bargaining;
- Abolition of Child Labor;
- Prevention of Forced and Compulsory Labor;
- Complaints and Grievance Practices;
- Security Practices; and
- Indigenous Rights.

Goals and Performance

Organization-wide goals regarding performance relevant to the Human Rights Aspects, indicating their linkage to the international declarations and standards listed above.

Use organization-specific Indicators (as needed) in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.

Policy

Brief, organization-wide policy (or policies) that defines the organization's overall commitment to the Human Rights Aspects (including policies which may be reasonably considered likely to affect the decision of employees to join a trade union or bargain collectively), or state where this can be found in the public domain (e.g., web link). Also reference their linkage to the international declarations and standards indicated above.

Organizational Responsibility

The most senior position with operational responsibility for Human Rights Aspects or explain how operational responsibility is divided at the senior level for these Aspects. This differs from Disclosure 4.1, which focuses on structures at the governance level.

Training and Awareness

Procedures related to training and raising awareness in relation to the Human Rights Aspects.

Monitoring and Follow-up

Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain.

List of certifications for human rights-related performance, or certification systems, or other approaches to auditing/verifying the reporting organization or its supply chain.

Additional Contextual Information

Additional relevant information required to understand organizational performance, such as:

- Key successes and shortcomings;
- Major organizational risks and opportunities;
- Major changes in the reporting period to systems or structures to improve performance; and
- Key strategies and procedures for implementing policies or achieving goals.

[9] Conventions 100 and 111 pertain to non-discrimination; Conventions 87 and 98 pertain to freedom of association and collective bargaining; Conventions 138 and 182 pertain to the elimination of child labor; and Conventions 29 and 105 pertain to the prevention of forced and compulsory labor.

Human Rights Performance Indicators

Aspect: Investment and Procurement Practices

CORE **HR1** Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.

CORE **HR2** Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.

ADD **HR3** Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

Aspect: Non-discrimination

CORE **HR4** Total number of incidents of discrimination and actions taken.

Aspect: Freedom of Association and Collective Bargaining

CORE **HR5** Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.

Aspect: Child Labor

CORE **HR6** Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.

Aspect: Forced and Compulsory Labor

CORE **HR7** Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.

Aspect: Security Practices

ADD **HR8** Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.

Aspect: Indigenous Rights

ADD **HR9** Total number of incidents of violations involving rights of indigenous people and actions taken.

Society

Society Performance Indicators focus attention on the impacts organizations have on the communities in which they operate, and disclosing how the risks that may arise from interactions with other social institutions are managed and mediated. In particular, information is sought on the risks associated with bribery and corruption, undue influence in public policy-making, and monopoly practices.

Disclosure on Management Approach

Provide a concise disclosure on the following Management Approach items with reference to the Society Aspects:

- Community;
- Corruption;
- Public Policy;
- Anti-Competitive Behavior; and
- Compliance.

Goals and Performance

Organization-wide goals regarding performance relevant to the Aspects indicated above.

Use organization-specific Indicators as needed in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.

Policy

Brief, organization-wide policy (or policies) that define the organization's overall commitment relating to the Society Aspects or state where this can be found in the public domain (e.g., web link).

Organizational Responsibility

The most senior position with operational responsibility for Society Aspects or explain how operational responsibility is divided at the senior level for these Aspects. This differs from Disclosure 4.1, which focuses on structures at the governance level.

Training and Awareness

Procedures related to training and raising awareness in relation to the Society Aspects.

Monitoring and follow-up

Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain.

List of certifications for performance or certification systems, or other approaches to auditing/verifying the reporting organization or its supply chain.

Additional contextual information

Additional relevant information required to understand organizational performance, such as:

- Key successes and shortcomings;
- Major organizational risks and opportunities;
- Major changes in the reporting period to systems or structures to improve performance; and
- Key strategies and procedures for implementing policies or achieving goals.

Society Performance Indicators

Aspect: Community

CORE **SO1** Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.

Aspect: Corruption

CORE **SO2** Percentage and total number of business units analyzed for risks related to corruption.

CORE **SO3** Percentage of employees trained in organization's anti-corruption policies and procedures.

CORE **SO4** Actions taken in response to incidents of corruption.

Aspect: Public Policy

CORE **SO5** Public policy positions and participation in public policy development and lobbying.

ADD **SO6** Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.

Aspect: Anti-Competitive Behavior

ADD **SO7** Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.

Aspect: Compliance

CORE **SO8** Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

Product Responsibility

Product Responsibility Performance Indicators address the aspects of a reporting organization's products and services that directly affect customers, namely, health and safety, information and labeling, marketing, and privacy.

These aspects are chiefly covered through disclosure on internal procedures and the extent to which these procedures are not complied with.

Disclosure on Management Approach

Provide a concise disclosure on the following Management Approach items with reference to the Product Responsibility Aspects:

- Customer Health and Safety;
- Product and Service Labeling;
- Marketing Communications;
- Customer Privacy; and
- Compliance.

Goals and Performance

Organization-wide goals regarding performance relevant to the Product Responsibility Aspects.

Use organization-specific Indicators (as needed) in addition to the GRI Performance Indicators to demonstrate the results of performance against goals.

Policy

Brief, organization-wide policy (or policies) that defines the organization's overall commitment to the Product Responsibility Aspects, or state where this can be found in the public domain (e.g., web link).

Organizational Responsibility

The most senior position with operational responsibility for Product Responsibility Aspects, or explain how operational responsibility is divided at the senior level for Product Responsibility Aspects. This differs from Disclosure 4.1, which focuses on structures at the governance level.

Training and Awareness

Procedures related to training and raising awareness in relation to the Product Responsibility Aspects.

Monitoring and Follow-up

Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain.

List of certifications for product responsibility-related performance or certification systems, or other approaches to auditing/verifying the reporting organization or its supply chain.

Additional Contextual Information

Additional relevant information required to understand organizational performance, such as:

- Key successes and shortcomings;
- Major organizational risks and opportunities;
- Major changes in the reporting period to systems or structures to improve performance; and
- Key strategies and procedures for implementing policies or achieving goals.

Product Responsibility Performance Indicators

Aspect: Customer Health and Safety

CORE **PR1** Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.

ADD **PR2** Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.

Aspect: Product and Service Labeling

CORE **PR3** Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.

ADD **PR4** Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.

ADD **PR5** Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

Aspect: Marketing Communications

CORE **PR6** Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.

ADD **PR7** Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.

Aspect: Customer Privacy

ADD **PR8** Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

Aspect: Compliance

CORE **PR9** Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

General Reporting Notes

Data Gathering

feasibility assessment

The process of defining report content will result in a set of topics and Indicators on which the organization should report. However, practical challenges such as the availability of data, the cost of gathering it, the confidentiality of information, privacy or other legal concerns, the reliability of available information, and other factors, may result in a legitimate decision not to disclose certain information. Where material information is omitted, the report should clearly indicate this and the reasons why.

data aggregation and disaggregation

Reporting organizations will need to determine the level of aggregation at which to present information. This requires balancing the effort required against the added meaningfulness of information reported on a disaggregated basis (e.g., country or site). Aggregation of information can result in the loss of a significant amount of meaning, and can also fail to highlight particularly strong or poor performance in specific areas. On the other hand, unnecessary disaggregation of data can affect the ease of understanding the information. Reporting organizations should disaggregate information to an appropriate level using the principles and the guidance in the reporting Indicators. Disaggregation may vary by Indicator, but will generally provide more insight than a single, aggregated figure.

Report Form and Frequency

definition of a sustainability report

A sustainability report refers to a single, consolidated disclosure that provides a reasonable and balanced presentation of performance over a fixed time period. Stakeholders should be able to directly access all of the report information from a single location, such as a GRI content index. Other publications should not be referenced as the information source for a GRI Standard Disclosure Item (ex., a Performance Indicator) unless the means for a stakeholder to directly access the information is provided (e.g., a link to a specific web page or the page number of the corresponding publication). There is no minimum length for a report using the GRI Framework as long as the organization has properly applied the Guidelines and Framework documents it has chosen to use.

medium of reporting

Electronic (e.g., CD-ROM) or web-based reporting and paper reports are appropriate media for reporting. Organizations may choose to use a combination of web and paper-based reports or use only one medium. For example, an organization may choose to provide a detailed report on their website and provide an executive summary including their strategy and analysis and performance information in paper form. The choice will likely depend on the organization's decisions on its reporting period, its plans for updating content, the likely users of the report, and other practical factors such as its distribution strategy. At least one medium (web or paper) should provide users with access to the complete set of information for the reporting period.

frequency of reporting

Organizations should define a consistent and periodic cycle for issuing a report. For many organizations, this will be an annual cycle, although some organizations choose to report biannually. An organization may choose to update information on a regular basis between the issuing of consolidated accounts of performance. This has advantages in terms of providing stakeholders with more immediate access to information, but has disadvantages in terms of comparability of information. However, organizations should still maintain a predictable cycle in which all of the information that is reported covers a specific time period.

Reporting on economic, environmental, and social performance could coincide or be integrated with other organizational reporting, such as annual financial statements. Coordinated timing will reinforce the linkages between financial performance and economic, environmental, and social performance.

updatinG report content

When preparing a new report, an organization may identify areas of information that have not changed since the prior report (e.g., a policy that has not been amended). The organization may choose to only update the topics and Indicators that have changed and to re-publish the Disclosures that have not changed. For example, an organization may choose to reproduce the information on policies that have not changed and only update its Performance Indicators. The flexibility to take such an approach will depend in large part on the organization's choice of reporting medium. Topics such as strategy and analysis and Performance Indicators are likely to show changes each reporting period, while other topics such as organizational profile or governance may change at a slower pace. Regardless of the strategy used, the full set of applicable information for the reporting period should be accessible in a single location (either a paper or web-based document).

Assurance

choiceS on aSSurance

Organizations use a variety of approaches to enhance the credibility of their reports. Organizations may have systems of internal controls in place, including internal audit functions, as part of their processes for managing and reporting information. These internal systems are important to the overall integrity and credibility of a report. However, GRI recommends the use of external assurance for sustainability reports in addition to any internal resources.

A variety of approaches are currently used by report preparers to implement external assurance, including the use of professional assurance providers, stakeholder panels, and other external groups or individuals. However, regardless of the specific approach, it should be conducted by competent groups or individuals external to the organization. These engagements may employ groups or individuals that follow professional standards for assurance, or they may involve approaches that follow systematic, documented, and evidence-based processes but are not governed by a specific standard.

GRI uses the term 'external assurance' to refer to activities designed to result in published conclusions on the quality of the report and the information contained within it. This includes, but is not limited to, consideration of underlying processes for preparing this information. This is different from activities designed to assess or validate the quality or level of performance of an organization, such as issuing performance certifications or compliance assessments.

Overall, the key qualities for external assurance of reports using the GRI Reporting Framework are that it:

- Is conducted by groups or individuals external to the organization who are demonstrably competent in both the subject matter and assurance practices;
- Is implemented in a manner that is systematic, documented, evidence-based, and characterized by defined procedures;
- Assesses whether the report provides a reasonable and balanced presentation of performance, taking into consideration the veracity of data in a report as well as the overall selection of content;
- Utilizes groups or individuals to conduct the assurance who are not unduly limited by their relationship with the organization or its stakeholders to reach and publish an independent and impartial conclusion on the report;
- Assesses the extent to which the report preparer has applied the GRI Reporting Framework (including the Reporting Principles) in the course of reaching its conclusions; and
- Results in an opinion or set of conclusions that is publicly available in written form, and a statement from the assurance provider on their relationship to the report preparer.

As indicated in Profile Disclosure 3.13, organizations should disclose information on their approach to external assurance.

Glossary of Terms

Additional Indicators

Additional Indicators are those Indicators identified in the GRI Guidelines that represent emerging practice or address topics that may be material to some organizations but not generally for a majority.

Boundary

The boundary for a sustainability report refers to the range of entities whose performance is covered in the organization's sustainability report.

Content Index

A GRI content index is a table or matrix that lists all of the Standard Disclosures, and where responses to the Disclosures can be found (page number or URL). Reporting organizations can also add reference to organization-specific (non-GRI Guidelines) Indicators. The Content Index provides users with a quick overview of what has been reported and increases ease of report use. A Content Index is especially important if some of the Disclosures appear in other reports, such as a financial report or previous sustainability reports.

Core Indicator

Core Indicators are those Indicators identified in the GRI Guidelines to be of interest to most stakeholders and assumed to be material unless deemed otherwise on the basis of the GRI Reporting Principles.

Downstream

The term 'downstream entities' is based on the concept of a production chain that extends from the extraction of raw materials to the use of a good or service by an end-user. 'Downstream' refers to those organizations that play a role in the distribution or use of goods and services provided by the reporting organization, or, more generally, play a role in a later step in the production chain than the organization itself.

Global Reporting Initiative

GRI's vision is that reporting on economic, environmental, and social performance by all organizations is as routine and comparable as financial reporting. GRI accomplishes this vision by developing, continuously improving and building capacity around the use of the GRI's Sustainability Reporting Framework. All Reporting Framework components are developed using a global, multi-stakeholder consensus seeking approach.

GRI Reporting Framework

The GRI Reporting Framework is intended to provide a generally accepted framework for reporting on an organization's economic, environmental, and social performance. The Framework consists of the Sustainability Reporting Guidelines, the Indicator Protocols, Technical Protocols, and the Sector Supplements.

Independent Board Member

Definitions for 'independent' can vary between legal jurisdictions. Independent usually implies that the member has no financial interest in the organization or other potential benefits that could create a conflict of interest. Organizations using the Guidelines should state the definition used for 'independent'.

Indicator Categories

Broad areas or groupings of sustainability topics. The categories included in the GRI Guidelines are: economic, environmental, and social. The social grouping is categorized in terms of Labor Practices, Human Rights, Society, and Product Responsibility. A given category may have several Indicator Aspects.

Indicator Aspects

The general types of information that are related to a specific Indicator category (e.g., energy use, child labor, customers).

Performance Indicator

Qualitative or quantitative information about results or outcomes associated with the organization that is comparable and demonstrates change over time.

Profile Disclosures

The numbered information requirements in Part 2 of the Guidelines that set the overall context for reporting and understanding organizational performance (e.g., 2.1, 3.13).

Reporting Principle

Concepts that describe the outcomes a report should achieve and that guide decisions made throughout the reporting process, such as which Indicators to respond to, and how to respond to them.

Sector Supplement

Sector Supplements complement the Guidelines with interpretations and guidance on how to apply the Guidelines in a given sector, and include sector-specific Performance Indicators. Applicable Sector Supplements should be used in addition to the Guidelines rather than in place of the Guidelines.

Stakeholder

Stakeholders are defined broadly as those groups or individuals: (a) that can reasonably be expected to be significantly affected by the organization's activities, products, and/or services; or (b) whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives.

Standard Disclosures

The Guidelines present topics and information for reporting that are material to most organizations and of interest to most stakeholders. These are captured in three types of Standard Disclosures:

- Strategy and Profile Disclosures set the overall context for reporting and for understanding organizational performance, such as its strategy, profile, governance, and management approach;
- Disclosures on Management Approach cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.
- Performance Indicators that elicit comparable information on the economic, environmental, and social performance of the organization

Sustainability Report

Sustainability reporting is the practice of measuring, disclosing, and being accountable for organizational performance while working towards the goal of sustainable development. A sustainability report provides a balanced and reasonable representation of the sustainability performance of the reporting organization, including both positive and negative contributions.

Indicator Protocol

An Indicator Protocol provides definitions, compilation guidance, and other information to assist report preparers, and to ensure consistency in the interpretation of the Performance Indicators. An Indicator Protocol exists for each of the Performance Indicators contained in the Guidelines.

Unitary Board

Refers to a board structure that has only one governing body responsible for the organization.

Upstream

The term 'upstream entities' is based on the concept of a production chain that extends from the extraction of raw materials to the use of a good or service by an end-user. 'Upstream' refers to those organizations that play a role in the supply chain of the reporting organization or, more generally, play a role in an earlier step in the production chain than the organization itself.

For definitions of words or concepts contained directly in the wording of the Indicators, see the Indicator Protocols.

G3 Guidelines Acknowledgements: A Global Effort

The following organizations provided funds or in-kind contributions for the G3 development process

G3 Consortium:

G3 ad hoc support:

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G3 Guidelines and Protocols Content Development

Volunteers from business, non-governmental organizations, labor, accountancy, investment, academia, and others came together and create all aspects of the G3 Guidelines and Protocols. The following multi-stakeholder technical working groups were convened between January and November 2005, and each delivered a different part of the content of the G3 Guidelines.

Indicators Working Group (IWG) Members

The Indicators Working Group was responsible for reviewing the indicators set as a whole; ensuring quality and consistency of the indicators' design; and designing overall fit with the TAC guidance.

- Mr. Neil Anderson, Union Network International, UNI
- Mr. David Bent, Forum for the Future
- Mr. William R. Blackburn, William Blackburn Consulting
- Ms. Julie-Anne Braithwaite, Rio Tinto/ICMM
- Ms. Sarah Forrest, Goldman Sachs International
- Ms. Somporn Kamolsiripichaiporn, Chulalongkorn University
- Mr. Robert Langford, The Federation des Experts Comptables Europeens (FEE)
- Ms. Stephanie Maier, Ethical Investment Research Service (EIRIS)
- Ms. Asako Nagai, Sony Corporation
- Mr. Ron Nielsen, Alcan Inc.
- Mr. Michael Rae, World Wide Fund Australia
- Ms. Ulla Rehell, Kesko Corporation
- Mr. George Nagle, Bristol-Myers Squibb
- Ms. Filippa Bergin, Amnesty International
- Ms. Giuliana Ortega Bruno, Ethos Institute

The IWG worked with six issue-specific Advisory Groups that were responsible for reviewing indicators and creating technical protocols for indicators in their area of expertise.

Society Advisory Group Members

- Ms. Anne Gambling, Holcim
- Mr. Sachin Joshi, Center For Social Markets (CSM)
- Mr. Craig Metrick, Investor Responsibility Research Center (IRRC)
- Mr. Keith Miller, 3M
- Ms. Ruth Rosenbaum, Center for Reflection, Education and Action (CREA)
- Ms. Glaucia Terreo, Instituto Ethos
- Mr. Peter Wilkinson, Transparency International

Human Rights Advisory Group Members

- Ms. Marina d'Engelbronner, Humanist Committee on Human Rights (HOM)
- Ms. Bethany Heath, Chiquita Brands
- Mr. Jorge Daniel Taillant, The Center for Human Rights and Environement (CEDHA)
- Rev. Mr. David M. Schilling, Interfaith Center on Corporate Responsibility
- Ms. Susan Todd, Solstice Sustainability Works Inc.
- Mr. Hirose Chuichiro, Canon
- Mr. Steve Ouma, Kenyan Human Rights Commission
- Mr. Björn Edlund, ABB Ltd.
- Ms. Marleen van Ruijven, Amnesty International

Environment (Biodiversity and Water) Advisory Group

- Mr. Ian Blythe, Boots Group PLC
- Mr. Ian Dutton, The Nature Conservancy
- Ms. Annelisa Grigg, Fauna & Flora International
- Ms. Nancy Kamp-Roelands, Ernst & Young Netherlands/ Royal NIVRA
- Ms. Erin Musk, City West Water
- Mr. Mike Rose, SASOL
- Mr. Fernando Toledo, Codelco

Environment (Pollution) Advisory Group Members

- Ms. Tanja D. Carroll, Coalition for Environmentally Responsible Economies (CERES)
- Mr. Yutaka Okayama, Toyota Motor Corporation
- Ms. Maria Fatima Reyes, Philippine Institute of Certified Public Accountants (PICPA)
- Mr. Yogendra Kumar Saxena, Gujarat Ambuja Cements
- Mr. David Stangis, Intel Corporation
- Ms. Sonia Valdivia, The Catholic University of Peru
- Mr. Eric Shostal, Institutional Shareholder Services
- Ms. Lucian Turk, Dell, Inc.

Labor Advisory Group Members

- Ms. Michiko Arikawa, Matsushita Electric Industrial (Panasonic)
- Mr. Stephen Frost, Southeast Asia Research Centre
- Ms. Kyoko Sakuma, Sustainability Analysis & Consulting
- Mr. Sean Ansett, Gap Inc.
- Ms. Deborah Evans, Lloyd's Register of Quality Assurance (LRQA)
- Mr. Pierre Mazeau, Electricité de France (EDF)
- Mr. Dan Viederman, Verité

Economic Advisory Group Members

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- Mr. Martin Tanner, Novartis International AG
- Ms. Helen Campbell, former AccountAbility
- Mr. Eric Israel, KPMG LLP
- Ms. Martina Japy, BMJ CoreRatings
- Ms. Michelle Smith, Rohm and Haas
- Ms. Lisa Acree, Business for Social Responsibility
- Mr. Johan Verburg, NOVIB/Oxfam Netherlands

Reporting as a Process Working Group (RPWG) Members

The Reporting as a Process Working Group was tasked with updating and further developing the reporting principles, and other guidance on the process of applying the G3 Guidelines.

- Ms. Amy Anderson, Starbucks Coffee
- Mr. Pankaj Bhatia, World Resources Institute (WRI)
- Mr. Bill Boyle, BP
- Dr. Uwe Brekau, Bayer AG
- Ms. Debra Hall, Coalition for Environmentally Responsible Economies (CERES)
- Mr. Dunstan Hope, Business for Social Responsibility
- Dr. Aqueel Khan, Association for Stimulating Know How (ASK)

- Ms. Judy Kuszewski, SustainAbility Ltd.
- Mr Brian Kohler, Communications, Energy & Paperworkers Union of Canada
- Mr Ken Larson, Hewlett Packard
- Mr. Steve Lippman, Trillium Invest
- Mr Luis Perera, PriceWaterHouseCoopers
- Mr. Dante Pesce, Vincular, Pontificia Universidad Católica de Valparaíso
- Ms Mizue Unno, So-Tech Consulting, Inc.
- Mr Cornis van der Lugt, UNEP Division of Technology, Industry, and Economics (DTIE)
- Mr. Robert Walker, The Ethical Funds Company
- Mr. Ian Whitehouse, Manaaki Whenua Landcare Research
- Mr Alan Willis, Alan Willis & Associates
- Although not a member of the group, Jennifer Iansen-Rogers, KPMG, The Netherlands, provided ongoing advice on process matters.

Public comments

270 submissions were received in response to its call for comments on the draft G3 Guidelines between January and March 2006. These comments significantly shaped the final G3 Guidelines.

GRI Governance Bodies

For full information on governance bodies, including members and roles, see www.globalreporting.org.

Technical Advisory Committee: This group of 12 experts assists in maintaining the overall quality and coherence of the GRI Reporting Framework by providing high level technical advice and expertise. Their key function in the G3 process was to recommend direction on the overall architecture, resolve key issues that emerged specifically around Guidelines content; ensure they were created under sound due process; submit a concur/non-concur recommendation to the Board on whether to approve the G3 version for release. The members passed a majority concur vote.

Stakeholder Council: This group of 48 form the formal stakeholder policy forum within the GRI governance structure. The Council advises the Board on policy and strategy issues and helped set the overall path for the G3 development process. Some individual SC members participated in the G3 working groups directly. The Council passed a majority concur vote on the release of the G3 Guidelines.

Board of Directors: This group of 16 has the ultimate fiduciary, financial and legal responsibility for the GRI, including final decision making authority on GRI Guidelines revisions, organizational strategy, and work plans. After providing guidance and direction throughout the G3 process, receiving recommendations from the TAC and SC, the Board voted unanimously to approve the G3 Guidelines for release.

GRI Secretariat: Under the leadership of the Chief Executive, the Secretariat implements the Guidelines and technical work plan approved by the GRI Board of Directors. It also manages communications, outreach, stakeholder relations, and financial administration. The Secretariat supports the operations of the Board of Directors, Stakeholder Council and Technical Advisory Committee.

Consultants

The GRI secretariat enlisted the (paid) help of the following consultants during the G3 process:

- csrnetwork (Lead consultant – Mark Line)
- Just Solutions (Lead consultant – Vic Thorpe)
- onValues (Lead consultant - Ivo Knoepfel)
- Ove Arup (Lead consultant - Jean Rogers)
- Responsibility Matters (Lead consultant – Mark Brownlie)
- Sandra Pederson, Editor
- Source-Asia (Lead consultant – Paul Wenman)
- triple innova (Lead consultant - Michael Kuhndt, Volker Türk)
- University of Amsterdam (Lead consultant - Jeffrey Harrod)

Legal Liability

This document, designed to promote sustainability reporting, has been developed through a unique multi-stakeholder consultative process involving representatives from reporting organizations and report information users from around the world. While the GRI Board of Directors encourage use of the GRI Sustainability Reporting Guidelines (GRI Guidelines) by all organizations, the preparation and publication of reports based fully or partially on the GRI Guidelines is the full responsibility of those producing them. Neither the GRI Board of Directors nor Stichting Global Reporting Initiative can assume responsibility for any consequences or damages resulting directly or indirectly, from the use of the GRI Guidelines in the preparation of reports or the use of reports based on the GRI Guidelines.

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Further information on the GRI and the Sustainability Reporting Guidelines may be obtained from:

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